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NEWS SUMMARY

GENERAL
Killed, badly hurt in it blast

Men were killed and others were "very critically" last night after being killed by an explosion in an ornate Colliery near Wigan,ashire.

Local ambulance men broke strike to take the badly injured survivors to hospital. The blast in a roadway 10 feet below ground.

11 men were carrying maintenance work when accident happened. It took three hours to free survivors.

Julian Griffiths, the Coal's deputy director (mining) in the area, said: "We do not yet know what caused methane to explode." Safety nets are investigating.

BUSINESS
Lonrho attacks Arab dealing

LONRHO, the trading and industrial conglomerate, has attacked attempts by Sheikh Nasser Sabah Al Ahmed, who controls a major shareholding, to replace two Lonrho directors with his own representatives.

The Sheikh and another Arab, Dr. Khalil Osman—both former directors of Lonrho—are also criticised for their dealings in Lonrho shares.

The company claims that, since October, 1974, the dealing activities of Sheikh Nasser and his associates, which allegedly included purchases of about 6m shares and sales of more than 4m, "detrimentally affected the share price of Lonrho." Page 28

ROYAL DUTCH SHELL is to receive about £29.5m from Gulf Oil in settlement of a contentious aspect of their nuclear partnership. Back Page

SHELL AND ESSO have started laying a £200m gas gathering pipeline in the North Sea to link the Comorant and Brent Fields. Page 4

IRAN'S ISLAMIC Government will not honour any contracts in which evidence of corruption has been found, according to Mr. Ali Akbar Mojtahed, Minister of State for the Planning and Budget office. Back Page

MORE THAN half the consumers surveyed in the latest Financial Times survey of consumer confidence, believe that the Chancellor should not increase the duty on tobacco before next month's Budget. Page 6

TRADING in March wheat futures on the Chicago Board of Trade, the world's largest grain market, has been halted altogether on orders of the Commodity Futures Trading Commission, the market's policeman. Page 2

U.S. BOND markets should set a firmer course this week as the state of the economy becomes clearer and a major benchmark issue goes on sale. Page 31

SOCIETY OF BUSINESS ECONOMISTS study shows that many forecasts of economic indicators are not much better than projections on a no-change basis. Page 4

MIDLAND BANK is launching a new long-term loan scheme for small businesses and creating a special unit to co-ordinate services in this area.

LABOUR

BRITAIN faces a week of mounting disruption to its public services as ambulance men and hospital workers plan to step up industrial action over pay. Back Page

GOVERNMENT plan to guarantee payments for ship repair and conversion work may help save jobs and win a £20m order for George Clark and NEM, the Tyneside marine engine builder. Page 5

ENGINEERING Employers' Federation is advising about 6,000 members to take a firmer and united stand against industrial action. Back Page

COMPANIES

SAINT-GOBAIN PONT-A-MOUSSON, France's largest quoted company, reports a drop in net profits at parent company level to FFr 266m (£30.5m) from FFr 354m in 1977, following the same trend as the group as a whole. Page 29

HOOPER sales improvements in both home and export markets, will continue this year, says Mr. M. R. Rawson, chairman, in his annual review. Page 28

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Government may face crucial test in no-confidence vote

BY RICHARD EVANS, LOBBY EDITOR

The Government's ability to survive into the summer or autumn is now likely to be put to a crucial test in a vote of no confidence at the end of the month backed by the Conservatives, Liberals and Nationalist MPs.

This would be the inevitable outcome of the Prime Minister's statement to the Commons tomorrow or Wednesday if, as expected, Mr. Callaghan declines to announce an early date for the debate on the result of the Scottish referendum on devolution.

The Scottish Nationalists, who have given the Government an ultimatum to debate the Order renouncing the Scotland Act, were standing by their threat last night to table a motion of no confidence if there is no debate planned for next week.

They would certainly be joined by the Welsh Nationalists, Liberals and Conservatives and Mr. Callaghan would be faced with the real prospect of defeat at a General Election at a time not of his own choosing.

The complex Commons arithmetic shows that his fate would depend on the attitude of the Ulster Unionist MPs, who are rethinking their position of influence more than ever.

But the signs are that Mr. Callaghan has decided to risk the gamble of his political career and face the challenge of a motion of no confidence rather than the even greater danger of defeat on devolution at the hands of his own party rebels. Their uncompromising attitude would mean that the Scotland Act would almost certainly be repealed, to the fury of the Nationalists.

Although the first move will probably be made by the Nationalists because of the delay in debating devolution, the Conservatives will table their own motion of no confidence immediately the 11 Scottish Nationalists and three Plaid Cymru MPs have signalled their intentions.

As the main Opposition party, the Tories would take precedence, and it would be their terse motion of no confidence in the Government that would be debated. The Nationalists and the Liberals have already made it clear they would support such a motion.

Mr. Callaghan believes that maintaining the Government's commitment to devolution by delaying the debate on the annulment Order will give him more scope to manoeuvre than seeing the Scotland Act killed off and then facing the inevitable motion of no confidence. The tactic of delay will help maintain fragile Labour Party unity in Scotland and will give some scope for dividing the Nationalists.

Option

The purpose of Mr. Callaghan's statement this week will be to gain time by seeking all-party talks on the annulment Order and the future of devolution. If the Government can gain the sanctuary of the Easter recess on April 12 it would create the option of a June election.

Although the indications are that this timetable will not be fast enough for the Nationalists, Ministers doubt if the SNP is as anxious for an early election as is claimed. Opinion polls and the referendum results show that the Nationalists could lose half their Parliamentary seats.

If the Government was defeated in a vote of no confidence next week, before the Budget on April 3, there would have to be a spring election and agreement between Government and Opposition on whether to introduce a technical revenue-raising Budget before Parliament was dissolved.

A ploy that could divide the Nationalists would be to offer a debate on the Scotland Act Order in April, after the Budget. This could dissuade some Nationalists from pressing ahead with the motion of no confidence and would make certain that the Government reached the recess—Mr. Callaghan's prime concern.

The events of the next 10 days should determine whether the Government can bang on, and the critical factor will be the attitude of the Ulster Unionists. The perilously balanced Commons arithmetic gives combined Opposition parties a voting strength of 308 and Mr. Callaghan's minority Government and its allies 310 votes.

Continued on Back Page

Saudi and Jordan still hostile to peace treaty

BY ROGER MATTHEWS IN CAIRO

PRESIDENT CARTER'S national security adviser, Mr. Zbigniew Brzezinski, arrived in Cairo last night after visiting Saudi Arabia and Jordan, where he apparently had little success in trying to stem hostility to the proposed Egyptian-Israeli peace treaty.

A Saudi statement after his visit indicated that the treaty was an inadequate solution to the Middle East conflict.

Mr. Brzezinski's trip to Jordan came the day after a highly significant meeting between King Hussein and the Palestinian leader Yasser Arafat at which Jordan emphasised its determination to press for a comprehensive settlement.

The Jordanian Government, with its vital involvement in the resolution of the Palestinian issue, made a brief statement after the visit reaffirming its support for "comprehensive peace," and implying disapproval of the separate treaty.

Egypt last week tried to put its case to Saudi Arabia, whose large scale financial support is crucial, but Vice-President Hosni Mubarak is understood to have received a cool reception when he visited Riyadh.



Mr. Zbigniew Brzezinski moves on to Cairo

With Iraq now calling for another Arab summit, and urging the implementation of the economic and political boycotts of Egypt outlined at the Baghdad meeting last November, the attitudes of Saudi Arabia and Jordan are central to deciding whether President Sadat of Egypt is going to be effectively isolated from his former close allies, Mr. Brzezinski was to report to him on his trip.

Prime Minister Mustapha Khalil of Egypt insisted at the weekend that the treaty would not in any way weaken the country's ties with other Arab countries. He claimed that it was a triumph for both Egypt and the Palestinians.

The Treaty would mean the Arabs would regain East Jerusalem annexed by Israel after the 1967 war—and Israel would withdraw behind its borders of 11 years ago, Mr. Khalil claimed.

He dismissed as "baseless and utter lies" any suggestions that Egypt was about to sign a separate peace with Israel. However, publication in Cairo yesterday of the Arabic version of the interpretative letters attached to the treaty would seem to indicate very little "linkage" between the agreement and moves towards establishing a comprehensive peace.

Continued on Back Page

OPEC MEETS NEXT WEEK

African oil producers plan surcharges

BY KEVIN DONE, ENERGY CORRESPONDENT

NIGERIA, Libya and Algeria, the three major African crude oil exporting countries, are expected to introduce surcharges of \$2.50 to \$5 a barrel from April 1.

The three countries, which together account for about 17 per cent of OPEC production, met in London last week to discuss a co-ordinated pricing strategy in advance of the OPEC consultative meeting in Geneva on Monday next week.

OPEC members are to discuss the dislocation in world oil markets caused by the 10-week halt of crude exports from Iran. Several OPEC producers have already taken unilateral action to raise their official selling prices above the levels agreed at their last meeting in December.

Moderate members have stressed that next week's meeting in Geneva has not been called to change the basic oil price structure, but the meeting is likely to endorse action by individual producers to impose their own "temporary surcharges" for as long as crude oil remains in short supply.

Main source

The African producers are one of the main OPEC sources of light, low-sulphur crude oil, the grade most in demand in world oil markets.

Algeria has already made it clear that it considers a premium of up to \$5.15 a barrel above the OPEC basic justified in the second quarter. This would bring the price of its Saharan blend to \$19 a barrel.

The final price could be higher if Saudi Arabia increases the price of Arabian light, the OPEC marker crude, by more than the 3.8 per cent agreed by OPEC in December for the second quarter this year.

The present OPEC marker base is \$13.34 a barrel, and this is due to rise to \$13.85 on April 1. Algeria has charged only an agreed quality premium of \$1.46 a barrel in the first quarter but has told buyers this could be increased to \$5.15 a barrel in the second quarter.

Some oil traders are concerned, however, that two "marker" crude prices could emerge in the second quarter after the OPEC meeting.

It appears that Iran has already sold most of the oil it will be able to produce for export in the second quarter at a price of about \$19.50 a barrel for light crude, similar to Arabian light, which at present will have an official selling price of \$13.85 in the second quarter.

If Iraq, which has already applied a surcharge of \$1.20 a barrel in the first quarter to its similar light crude, decides to press for higher increases in the second quarter, it is possible that two "marker" prices for light 34-35 degree API crude will emerge, adding greatly to the present pricing uncertainty.

At the very least, pressure is bound to mount on Saudi Arabia to add a surcharge to the base price for Arabian light.

Of the African producers, Nigeria is still to add any premium to its level set in December. But following last week's London meeting it is expected to look for an increase of at least \$2.50 a barrel from April 1.

Japan buying

Libya, which applied a surcharge of \$1.38 a barrel on March 3, is expected to seek a premium of \$3.85 a barrel above the market price from April 1.

Pressure to secure Iranian supplies has been increased in recent days by the independent oil companies, especially those from Japan, which face shrinking supplies from the major international oil companies. It is understood that about 10 per cent of Iran's second quarter supplies have already been sold to a single Japanese oil trading house, Mitsui, as part of a longer term contract.

Mr. E. G. Werner, a managing director of the Royal Dutch/Shell group, has warned that the present level of oil stocks in the consuming nations is rapidly approaching the minimum necessary for orderly operation. "I can see no possible way of building up stocks to a more comfortable level when we enter the winter season," he said.

FT guide to EMS intervention rates

At the beginning of the first full week of the operation of the European Monetary System, the Financial Times today publishes a guide to the limits within which member currencies must operate.

Page 2

Railway pension funds to end art buying

BY CHRISTINE MOIR

British Rail's pension funds are to stop their controversial policy of buying works of art. Mr. John Morgan, the general manager, has agreed to let the fine art fund spend up to £12m more on "rounding out" existing collections but all buying will then cease.

The funds' art purchases to date amount to £28m and include 12th-century caudate-sticks, Picasso's "Young Man in Blue" and Chinese and Egyptian antiquities.

Since 1974 British Rail has been spending on the fine art in more and more around 4 per cent of the new money flowing into its pension funds each year.

When that policy became publicly known last year it aroused a storm among MPs and trade unionists.

At the time BR defended itself on the grounds that it needed to diversify its investments as widely as possible and to seek the maximum shelter from future inflation.

But art works are also a hedge to own, expensive to insure and produce no income to offset the cost of exhibiting them.

British Rail is also damned by the way the fine art collection would grow if it continued to commit a fixed proportion of its income to such purchases.

Mr. Morgan said: "The trustees have now decided that fine art should not represent a major diversification in a portfolio of this size." British Rail's pension funds already total £750m and are growing at around 10 per cent a year.

Mr. Morgan has also decided to pull out of investment in commodities. A similar sum to that invested in fine art has been invested in commodity unit trusts over the past two or three years.

The trust avenue was chosen because British Rail could not supply its own commodity management team. But, put simply, British Rail's funds and their income are too big for this arena.

At present the funds budget to keep about 10 per cent of their money in cash and fixed securities, 40 per cent in UK equities, 10 per cent in overseas securities and 25 per cent in property. A further 8 per cent has been in commodities and fine art, leaving 7 per cent flexible.

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NatWest may have to spend extra \$100m. on U.S. deal

BY STEWART FLEMING AND MICHAEL LAFFERTY

THE National Westminster Bank may have to spend a further \$100m or more buying control of the National Bank of North America as a result of conditions the Federal Reserve Board has laid down in granting approval for the deal to proceed.

The conditions could present NatWest with a significant but by no means insurmountable obstacle to the acquisition and might involve it in having to reopen negotiations with NBNA's owners CIT Financial. This is one of several loose ends which remain to be tied up before the three foreign banks which received FRB approval on Friday can proceed to buy three U.S. banks with combined assets of \$24bn.

It seems likely that negotiations between the parties will start immediately. Mr. Alex Dibbs, the NatWest deputy chairman, may visit the U.S.

The obvious solution is for NatWest to purchase 100 per cent of NBNA, and this was described as "an obvious possibility" by the NatWest chief executive, Mr. Jeff Benson, yesterday. Mr. Benson said he was not "unduly worried" about the problem. "I do not see it as a major obstacle," NatWest would wait until today to decide on a course of action, he said.

Meanwhile, Mr. Walter Holmes, chairman of CIT, warned that a fundamental condition of its agreement to accept NatWest's offer was a determination by the FRB that after the sale CIT would no longer be a regulated bank holding company.

"The sale will not be made unless we are able to resolve this issue. We are immediately going to address ourselves to seeking a solution to this problem." CIT is under no pressure to divest itself of NBNA under the 1970 Bank Holding Companies Act.

The largest transaction approved by the FRB was a proposal by Hong Kong and Shanghai Banking Corporation to buy by the end of 1980 51 per cent of Marine Midland Banks of New York for about \$62m. The FRB also said that Standard Chartered Group of London could purchase Union Bank of Los Angeles for \$372m, and NatWest could buy 76.1 per cent of NBNA for \$300m.

The Hong Kong deal with Marine Midland, however, still needs the approval of the New York State banking superintendent Miss Muriel Siebert.

As Marine Midland is a state chartered bank, Miss Siebert must authorise any shareholder wanting to exercise voting rights accounting for over 10 per cent of the voting capital after the shareholding has been acquired.

In its statement on the Hong Kong-Marine Midland deal the FRB notes that Miss Siebert did not recommend denying Hone Kong and Shanghai Bank approval to buy control of Marine. Miss Siebert's attitude to the transaction could be influenced by the fact that Marine is in need of the additional capital.

So far as the NatWest agreement with CIT Financial is concerned, the FRB decision raises a central issue for the U.S. company. The FRB determined that CIT would not cease to be a bank holding company by disposing of 76.1 per cent of NBNA since its remaining 24.9 per cent stake could leave it in a position to exercise influence.

Foreign banks break through in U.S. Page 14
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OVERSEAS NEWS

PLO-Jordan accord marks setback for peace treaty

BY RAMI G. KHOURI IN AMMAN

AMERICAN hopes of drawing King Hussein of Jordan into the proposed negotiations with Israel and Egypt over the future status of the occupied West Bank and Gaza were badly set back again over the weekend by a historically important meeting between Jordanian and Palestinian leaders. They reaffirmed their commitment to the November Arab summit in Baghdad, which pledged stringent measures to isolate Egypt from the rest of the Arab world in the wake of a separate Egyptian-Israeli peace agreement.

Four hours of talks in Northern Jordan between King Hussein and Mr. Yasser Arafat, leader of the Palestine Liberation Organisation and their delegations were followed by a joint statement in which the two sides stressed the Palestinian people's rights "to return to their homeland, to self-determination and the establishment of their independent state in their homeland."

Mr. Arafat's visit, on the invitation of King Hussein, is the first official visit he has made to Jordan since the Palestinian resistance movement left here

after the 1970 and 1971 fighting with the Jordanian army. The rapprochement between Jordan and the PLO emerged on the eve of the arrival here of Dr. Zbigniew Brzezinski, the U.S. Security Affairs Adviser who immediately held talks over lunch with King Hussein.

There is a combination of bewilderment and embarrassment among members of the Jordanian leadership in the face of the American drive to elicit Jordanian support for the Camp David negotiations over the future of the West Bank and Gaza.

While the Americans would like to bring Jordan into the talks with Egypt and Israel, the exact opposite has been happening. Jordan has been steadily finding more comfort, if not material assistance, in the anti-Egypt consensus of the Arab world that has emerged during and since the Baghdad summit.

Thuan Hjiat adds from Beirut: The PLO and Jordan have decided to set up a higher committee for future co-ordination, according to informed observers here.

The formation of the committee, which will be headed jointly by Mr. Arafat and Jordanian Prime Minister Mudar Badran, is one of the main results of the meeting between Mr. Arafat and King Hussein.

The observers said King Hussein endorsed a proposal by

Mr. Arafat for holding an Arab summit in Saudi Arabia to chart a common Arab course after the meeting of Arab foreign and economy ministers, called by Iraq to enforce sanctions against Egypt. Mr. Arafat was reported to have told the monarch that Syrian President Hafez Assad already endorsed the idea.

King Hussein laid a special emphasis on the need to boost the military strength of Arab frontline states, namely Syria, Iraq, Jordan and the PLO, the observers said, and added King Hussein told Mr. Arafat that Jordan intends to obtain sophisticated weapons "irrespective of the source." At present all Jordanian arms supplies are provided by the West.

Reports in the Press here yesterday said Mr. Arafat proposed Al Ma'raqa, some 45 miles from Amman as a site for the talks because he was afraid that if he went to the Jordanian capital Palestinians would try to organise demonstrations in his support against the wishes of the Jordanian Government.

On bilateral relations, the daily As Sa'ir here which is close to the Palestinians, said there was an "outright" breakthrough. Jordan continued to refuse to allow the guerrillas to re-establish military bases on its territory. King Hussein's army expelled them from Jordan in 1971.

Emirates in crucial unity debate

By Kathleen Bishtawi

THE UNITED Arab Emirates is to have one of its most crucial meetings of the seven emirates this week since the creation of the federation in 1971.

The Supreme Council of the UAE is to meet today to discuss a 10-point memorandum put forward last month by the UAE federal council. Ever since the upheaval in Iran, the ruling sheikhs have, for the first time in recent years, been getting down to serious negotiations about measures to strengthen the union and bring greater cohesion to the country.

There are however a number of tricky points on the council's agenda. The most troublesome, western diplomats see, is the question of the armed forces, for about a year ago Sheikh Zaid, President of the UAE and Ruler of Abu Dhabi, appointed his son, Sultan, as Commander-in-Chief of the armed forces, with seemingly little reference to Sheikh Rashid, vice-president and ruler of Dubai, and his son, Sheikh Mohammed, Minister of Defence. Any change now in the army's leadership would thus involve a climb down by either emirate, unless a compromise candidate can be found.

Another item on the agenda concerns the establishment of a central bank in the emirates, a move which some rulers have resisted, fearing greater economic control from Abu Dhabi, the richest emirate. The draft law of the central bank would require each emirate to channel part of its oil or other revenues through the bank, and also make long term deposits with it.

The financing of the federal budget has also proved a perennial problem for the UAE, for at the moment only Abu Dhabi, with its massive oil income, contributes to it. However, the rulers are now understood to be discussing various formulae whereby each emirate will contribute to the budget in accordance with their financial capability.

The supreme council meeting has been long awaited and follows numerous calls by the 40-member federal council for greater unity within the country after the unsettling events in Iran. The seven rulers have not had a supreme council meeting since November 1976.

Left's hopes rise in French poll

By David White in Paris

FRENCH VOTERS went to the polls yesterday in the first round of cantonal elections which, although their importance has been played down, will give a measure of Government support in a year after having fought general election victory.

The ballot is for half the seats in each of France's departmental councils. Councillors, one from each canton, sit for six years and are elected in two batches every three years.

The poll is expected to follow recent by-election trends and strengthen the position of the left wing parties in a number of departments, in several of which the Government's centrist and Gaullist candidates stand to lose their majority.

The last cantonal elections in 1976 gave the left just over half the total vote and were followed by victories in municipal elections the next year.

Although results on a national scale are likely to be distorted by a low turnout and by local issues, they will give a clue as to how far the leadership of the four main parties is followed by their electorates, and as to how harshly the French public judges the Government's economic policy at a time when unemployment has become the main political issue.

The elections were taking place in 1,765 cantons in metropolitan France and 71 overseas. Early indications suggested a fairly low turnout in poor weather with only 59 per cent of the 18.6m eligible voters placing their ballots before midday.

Cantonal elections are traditionally a source of some indifference and their significance has been overshadowed this year by the forthcoming European Parliament ballot.

But M. Georges Marchais, the Communist leader, last week said they would reinforce the centrist motions which were brought by the Opposition during an emergency Parliamentary debate on unemployment which ended on Friday.

Carter energy move

President Carter is to confer at Camp David today with senior Cabinet and White House officials on a new national energy policy and a possible strengthening of the existing anti-inflation programme, Jurek Martin writes from Washington.

The key question is whether Mr. Carter will in the next few weeks elect to retain, phase out or completely remove federal controls over domestic oil prices.

The special meeting may also decide on further cuts in the projected budget deficit for the 1980 fiscal year.

THE FT GUIDE TO THE EMS

INTERVENTION RATES

	D-Mark	French franc	Dutch guilder	Belgian franc	Italian lira	Danish krone	Irish punt	ECU central rates; % divergence indicator
D-Mark	—	2.2581 2.2621	1.0596 1.10835	15.2685 16.0740	430.698 485.576	2.7598 2.8664	0.26996 0.269937	±1.1325
French franc	4.2335 4.4285	—	4.5890 4.7990	66.5375 69.690	1.864.9 2.102.5	11.9490 12.4985	1.11739 1.16891	±5.7931 ±1.25
Dutch guilder	0.90225 0.94875	2.0838 2.1798	—	14.1800 14.8325	397.434 448.074	2.5664 2.6636	0.23813 0.249089	±2.7077 ±1.8075
Belgian franc	6.2210 6.5680	14.2680 15.0290	6.7420 7.0520	—	2,740.44 3,089.51	17.559 18.367	1.64198 1.71756	±39.4582 ±1.53
Italian lira	2.059 2.322	4.7560 5.3920	2.23175 2.5160	32.365 36.490	—	5.8150 6.3530	0.542545 0.612901	±1,481.15 ±4.9725
Danish krone	3.4645 3.6235	8.0010 8.2690	3.75425 3.9270	54.45 60.950	1,526.05 1,720.45	—	0.914343 0.958424	±7.0832 ±1.633
Irish punt	3.7050 3.8750	8.5555 8.9495	4.0145 4.1995	58.2225 60.9020	1,631.35 1,839.73	10.4555 10.9365	—	±0.626538 ±1.665

QUANTITIES OF EACH CURRENCY IN ECU BASKET + WEIGHTING PER CENT

D-Mark	£ sterling	French franc	Lira	Guilder	Belgian franc	Lux. franc	Danish krone	Irish punt
0.828 (33%)	0.0885 (13.4%)	1.15 (19.8%)	109 (9.5%)	0.286 (10.8%)	3.66 (9.2%)	0.14 (0.35%)	0.217 (3.1%)	0.00759 (1.15%)

THE TABLE illustrates all the potential points at which Central Banks will be required to intervene under the European Monetary System, which was formally introduced last week.

There are two basic mechanisms which can measure the point at which a currency has risen or fallen beyond its EMS limits. They are the "parity grid" system; and the European Currency Unit "ECU divergence indicator".

1-Parity grid: The first seven columns of the table show the upper and lower intervention rates for all currencies within the EMS against all other currencies within the system. The Deutschemark, for instance, can rise to a maximum level within the snake of FF 2.3621 (line one, column two). The other side of that same equation is that the French Franc can fall to a minimum level against the D-Mark of DM 4.2335 for 10 francs (line two, column one).

Under the EMS rules, no member currency can move by more than 2.25 per cent against any other currency. The exception is the Italian Lira, which can move by up to 6 per cent either way.

2-The ECU Divergence Indicator: The "European Currency Unit" is at the centre of the EMS system. It is referred to either as a currency basket or a currency cocktail. It is a notional unit of currency, similar to an International Monetary Fund Special Drawing Right (SDR). Its make-up is shown across the bottom line of the table.

The British pound continues to be a component of the ECU although the UK is not a member of the EMS. The precise mix of the "ECU cocktail" is derived from differing shares of EEC output.

The central rate of each EMS member currency against the ECU is shown in column eight of the table. It is against this central rate that the "ECU divergence indicator" will be calculated.

Each currency has been allocated a maximum percentage deviation against its ECU central rate (shown as a percentage figure in column eight). When it has reached this threshold, there is a "presumption" (but not an "obligation") that action

will be taken to rectify this situation.

The maximum divergence indicator against a currency's ECU central weight varies from currency to currency. It is based on a formula for each currency which is: $\frac{1}{2} \times 2\frac{1}{2} (1-w)$, where w is the weight of the currency in the ECU. (In the case of Italy, the figure six displaces 2½ in the formula. Luxembourg shares a divergence factor with Belgium, with which it has an effectively common currency.)

The EEC Central Banks were last week refusing the release of these divergence factors, apparently in an attempt to make the lives of currency speculators harder.

If a currency reaches these limits, it is "presumed" that the errant Government will consult with its EEC partners and take action in one or all of the following ways: intervention in the exchange market; changes in domestic monetary policy; changes in central rates (devaluation or revaluation) or other economic policy measures.

This complicated double system results from wrangling when the EMS idea was being developed. The old currency snake involved only the parity grid system. The potentially weaker members of EMS felt that the parity grid tended to put the onus for adjustment on the weaker countries and to demand no compromise from strong currency members. It was thought that the ECU divergence indicator would spread the onus for action more equitably.

Germany, which is adamant that it should not be forced to endorse inflation in its own currency because of EMS, resisted this innovation. As a result the system today is a mixture of unbreakable limits defined in currencies, and indicators of some sort of obligation to take corrective action, based on the ECU.

One of the ironies in the lengthy debate that has led to EMS is that if the system had started on January 2, as originally planned; and if Britain had participated, the current strength of sterling would now be causing it to be pushing up against its upper limits under the divergence formula. An innovation which Britain favoured as a weak currency country, would now be forcing it to face up to the responsibilities of a strong one.

Hostile reply to Rhodesia plan

BY OUR FOREIGN STAFF

THE JOINT call by Britain and the U.S. for all parties to accept the principle of UN-supervised elections in Rhodesia and negotiations over conditions for holding them received a hostile reception from all but one of the transitional Government leaders in Salisbury yesterday.

The statement, issued simultaneously in London and Washington, by Dr. David Owen, the British Foreign Secretary, and Mr. Cyrus Vance, the U.S. Secretary of State, said that they did not believe that the elections planned for April 20 would stop a protracted war within the country. It was hoped that negotiations in internationally supervised elections could begin before April 20.

The statement was being seen in Salisbury yesterday as a mischievous attempt to disrupt

the voting rather than a constructive effort to solve the crisis. Only one Rhodesian political leader—Chief Chirau—who has long favoured all-party talks, welcomed the suggestion, saying he favoured an immediate conference.

None of the leaders commented on the call for UN-supervised elections, but restricted their criticism to the Anglo-American suggestion of negotiations over how to hold them.

The Rev. Ndabaningi Sithole said all-party talks before the poll next month would be disastrous. Dr. Owen was merely trying to delay the elections, he said.

He agreed with the concept of all-party talks, but the timing was wrong. He had anticipated between Dr. Owen and Mr. Smith would not allow a con-

ference to produce anything positive," Mr. Sithole claimed.

Bishop Muzorewa also accused Dr. Owen of gimmickry. Britain and the U.S. had been told last October in Washington that the transitional government favoured an all-party meeting and on several subsequent occasions leaders of the interim government had appealed to Dr. Owen to convene a meeting. There was no comment from Mr. Ian Smith.

The transitional Government announced at the weekend a general amnesty guaranteeing nationalist guerrillas "a safe return" and rehabilitation before the elections. One and a half million pamphlets in three different languages appealing to Zippa and Zania guerrillas to return home in peace are to be distributed.

S. Africa moves to curb Press

By Quentin Peel in Johannesburg

DRAFT LEGISLATION to place reporting of South African police actions under the same effective censorship as military activity has been introduced in the South African Parliament.

The Bill will make newspapermen liable to up to five years in gaol, or a fine of R10,000 (£3,900) if they publish allegations against the police which they are unable to prove in court. A police Press liaison unit is expected to be set up to "process" all articles about the police.

The action, by Mr. Jimmy Kruger, the Minister of Police, comes at a time of considerable pressure within the ruling National Party to introduce wider-ranging legislation in curb Press reporting. Opposition newspapers have been instrumental in exposing the mis-spending of state money by the former Department of Information, which has severely embarrassed the government.

Little optimism at start of UN Namibia talks

BY OUR UN CORRESPONDENT

MINISTERIAL talks open in New York today which could decide whether Namibia obtains independence from South Africa this year on terms acceptable to the UN, or becomes another Rhodesia, unrecognised as a state and the target of an economic boycott.

Mr. Cyrus Vance, the U.S. Secretary of State, Dr. David Owen, the British Foreign Secretary, Mr. Donald Jamieson, the Canadian External Affairs Minister, and the Deputy Foreign Ministers of France and West Germany will confer for two days with a South African delegation led by Mr. Pik Botha, the Foreign Minister.

The Western Ministers will have separate talks with a deputation from the South West Africa People's Organisation (SWAPO) including Mr. Mishake Muyongo, its vice-president. Representatives of the five Southern African frontline states and of Nigeria were also invited to join the discussions. All except Angola have accepted.

At the same time the Security Council takes up today a complaint by Angola of repeated acts of aggression by South African forces from bases in Namibia. SWAPO units in Angola have been targets of several military raids.

A spokesman for SWAPO in New York said again yesterday that UN monitoring outside Namibia was not acceptable and was not part of the western plan. The obstacles to a final accord are formidable and none of the participants are optimistic.

Saying that the talks represented probably a last chance for a peaceful transition, Mr. Botha insisted before he left South Africa that he would not shift his stand.

The matter has become more critical than ever now because the Democratic Turnhalle Alliance, which won local elections in Namibia in December, threatens to issue a unilateral declaration of independence if the UN plan is not implemented soon.

Vietnam, China ready to talk

BY OUR FOREIGN STAFF

BOTH VIETNAM and China claimed at the weekend to be ready for peace talks, though it is still unclear whether Chinese troops have completed their retreat from Vietnamese territory.

China's premier, Deng Xiaoping has claimed that Chinese troops have now "entirely" withdrawn from Vietnamese territory. Stressing Chinese eagerness to open talks with the Vietnamese, he claims the key to peace is Vietnamese withdrawal from Cambodia. An official Chinese statement insisted that continued occupation of Cambodia would lead to "unthinkable grave consequences."

Vietnam's official Communist Party newspaper, Nhan Dan, yesterday proposed that peace talks should start on Friday (March 23), and suggested Hanoi, or the flattened city of Lang Son, as the venue. Some Bangkok analysts took this proposal as confirmation of complete Chinese withdrawal from the Vietnamese territory, since the Vietnamese have previously insisted that complete withdrawal was a precondition for talks.

Reports are contradictory, however. The same Nhan Dan article attacked the Chinese as "professional liars," accused China of being a "direct and dangerous enemy" and claimed Chinese troops were still inside Vietnam.

"The Chinese reactionaries" still maintain their troops in many areas of Vietnamese territory and close to the border ready for other acts of war against Vietnam," the report says.

As the Soviet Union reported a rapid Chinese troop build-up north of Laos, the Vietnamese repeated demands that Chinese troops withdraw from the Laotian border. They also warned South-east Asian

countries to stay out of the conflict. This is presumably a reference to a plea by ASEAN heads of state for an end to conflict in Indochina. It may also be a warning to Thailand against involvement in western Cambodia.

The Chinese also issued a warning to leaders in South-east Asia. The official government Xinhua news agency said: "The flames of war which Vietnam has kindled in Kampuchea (Cambodia) might spread to other Southeast Asian countries at any time."

It was also reported from Hanoi that Vietnam's leader, Le Duan, met yesterday with the Soviet ambassador, thanking the Russians for "meeting their commitments in accordance with the Treaty of Friendship and Co-operation." There has been speculation that Vietnam might have been annoyed that the Soviet Union stayed aloof from the conflict.

Canadian dollar stronger

By Jim Rusk in Toronto

THE CANADIAN dollar stayed above 85 U.S. cents in foreign currency trading last week; the strongest it has been in three months. The high for the week was on Tuesday when it closed at 85.50 U.S. cents. It slipped badly on Wednesday but recovered some lost ground to end the week at 85.21 U.S. cents, a net gain of 0.53 U.S. cents on the week.

The upward pressure early in the week came from strong buying by Swiss and other European sources. It dried up on Wednesday on news that Canada's Swiss bank managers were having trouble distributing a SwFr 300m Government of Canada bond issue in a weakening Swiss market. That did not push the dollar below 85 U.S. cents however. This new found strength is, in part, being attributed to news that seasonally adjusted Canadian unemployment in February was below 8 per cent.

Barry Davenport, manager of foreign exchange operations for Wood Gundy, a major Canadian brokerage house, thinks the depreciation over the last two years has gone on too far and "on the basis of economic fundamentals, the currency has recently been undervalued."

He adds that Canada is well on the way to regaining the international cost competitiveness that it lost in 1974 and 1975 and a more placid political environment seems in store. This optimistic view is not universally shared.

Dominion Securities, another major brokerage house, in its latest quarterly letter suggested that the Canadian dollar will trade in a range of 83 to 86 U.S. cents during the year.

"Continuing strength in the exchange rate is not likely to develop until late in the year— and even then only if the U.S. economy is showing signs of beginning a new business cycle expansion early in 1980."

Hoveyda trial comes under fire

BY ANTHONY McDERMOTT IN TEHRAN

THE TRIAL of Mr. Amir Abbas Hoveyda, 35 years the Prime Minister of the deposed Shah may well be transferred from the Revolutionary Islamic Court in Tehran's Qasr Prison to the Senate or Ministry of Justice, according to Mr. Assadollah Mohashri, Justice Minister. At the same time, the Cabinet has approved Bills for dismantling the existing French-style legal system in favour of one based on Islam.

On Friday, Ayatollah Khomeini issued an order halting all summary trials and executions in Tehran.

The Provisional Government of Dr. Mehdi Bazargan, Khomeini's appointee, is showing increasing signs of responding to mounting international criticism of the way in which Mr. Hoveyda has been tried.

Published transcripts of the hearing indicate a wide gap between Mr. Hoveyda's desire to present a detailed and documented defence, and the prosecution's broad ideological accusations.

Reflecting the confusion of the Government, Mr. Amir Entezam, a Deputy Prime Minister and the Government spokesman, said yesterday at a Press conference that Mr. Hoveyda had not yet been put on trial and that the single session last Thursday before the Revolutionary Tribunal had only been interrogation.

It was reported that time Mr. Medhi Hadavi, the Revolutionary Prosecutor-General, called for the death sentence. Mr. Hoveyda was also facing 17 charges, including one of "war against God."

In the present context of progress towards an Islamic Republic, this could almost certainly have led to execution.

Under the move towards changing the legal system, some 80 judges go far out of a total in Iran of 1,800 have been dismissed. In addition, a board of five judges and two lay members have been given six months to supervise the changeover.

The Supreme Court, the Office of the Public Prosecutor, and the Lower Courts are to be dissolved and replaced by a more traditional Islamic system based mainly on the Koran.

Yesterday Mr. Entezam said regulations had been drafted by the Government for trials. Amongst procedures under consideration were the presence of a jury and defence lawyer, and the right of appeal.

400 'slaughtered' in Chad war

NDJAMENA—More than 400 people have been killed in renewed clashes between Moslems and Christians in the south of Chad, with witnesses reporting torture and cruelty in the town of Sarh.

In addition to battles with knives between the two communities, Moslems were reported to have been massacred by deserters from President Felix Malloum's regular army.

Two cease-fires have failed to stop the civil war and Nigerian troops are now trying to establish neutral zones after the warring factions signed an agreement to end the fighting.

About 100 French citizens, mostly women and children, of the 450 who live in and around Sarh were evacuated on Friday. The Government has denied that it was responsible for organising the bloody confrontation in the south.

Fresh crisis feared as Portugal debates budget

BY JIMMY BURNS IN LISBON

THE LONG-DELAYED parliamentary debate on the Government's budget and short-term economic plans begins today against a background of mounting political uncertainty which threatens the survival of Portugal's three-month-old administration.

The debate, scheduled to last until next weekend, is expected to resolve confusion resulting from the unexpected resignation of a key junior minister. It might unleash a fresh political crisis.

Sr. Augusto Martins Ferriera do Amaral, the controversial Secretary of State for Agriculture, resigned on Friday. But over the weekend the rest of the Government appears to have remained solidly united.

Sr. Carlos Mota Pinto, the

Chicago halt on wheat trade

By David Lascelles in New York

TRADING IN March wheat futures on the Chicago Board of Trade, the world's largest wheat market, has been halted altogether on orders of the Commodity Futures Trading Commission, the market's policeman.

The ban follows the CFTC's dissatisfaction with action taken last Friday by the CBOE to deal with what the CFTC claimed was an attempt to manipulate March contract prices. With only four days to go before the contract closed on March 21 the CFTC said a small group of speculators held dominant long open positions which far exceeded the amount of wheat available for delivery.

This announcement appears as a matter of record only.

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March, 1979

هكنا من الاجملي

Contracts will be honoured Hua assures Japanese

TOKYO—The Chinese Communist Party Chairman, Hua Jifeng (Hua Kuo-feng) has given assurances that China will honour \$2.5bn worth of Japanese import contracts...

Kyodo quoted him as saying: "We will do what we promised." The Japanese newspaper Asahi reported from Peking that Hua said the contracts had been held up because the two nations had not reached agreement on whether payment should be made in yen or dollars.

SHIPPING REPORT

Tanker market active

By Lynton McLean
FREIGHT RATES in the crude oil tanker chartering market rose again last week. Tanker owners were quick to respond to the continued production of oil from Iran...

AUSTRIAN TRADE

Pessimism over Eastern markets

By PAUL LENDVAI IN VIENNA

THE AUSTRIAN business community sees serious barriers to an expansion of trade with Eastern Europe, which despite a three-year period of stagnation, remains the second most important geographical area for Austrian exporters.

must be also seen against the background of income from Austrian tourists and massive transfers by some 100,000 Yugoslav workers employed in Austria. Excluding Yugoslavia, the Austrian trade experts list a number of factors which contribute to a growing feeling of gloom regarding short and medium-term sales prospects in the East.

vis-a-vis Austria. As Austrian exports last year were up by 16.7 per cent to Sch 5.4bn and imports rose only by 3 per cent to Sch 8.8bn the trade deficit was reduced by 10 per cent to Sch 3.4bn.

basis for the new plant because it would be completed two to four years more quickly than a coal-based project. In addition to the uncertainty concerning future oil and natural gas supplies, the Austrian Trade Ministry is evidently thinking of making Austrian-Polish trade more balanced.

TENDERS MUST BE LODGED NOT LATER THAN 10.00 a.m. ON THURSDAY, 22nd MARCH 1979 AT THE BANK OF ENGLAND, NEW UES, WATLING STREET, LONDON, EC4M 9AA OR NOT LATER THAN 3.30 p.m. ON WEDNESDAY, 21st MARCH 1979 AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR THE GLASGOW AGENCY OF THE BANK OF ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKED "EXCHEQUER TENDER."

ISSUE BY TENDER OF £800,000,000
2 1/4 per cent. EXCHEQUER STOCK, 1999
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Interest Payable Half-yearly on 26th March and 26th September

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock. The tender will be a multiple of £100 of the Stock to be issued in accordance with the provisions of the Statute in writing.

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Amount of Stock applied for
£100—£2,000 Multiple £100
£2,000—£5,000 £500
£5,000—£20,000 £1,000
£20,000—£100,000 £5,000
£100,000 or greater £10,000

Signature
March 1979
LEASE USE BLOCK LETTERS or, on behalf of, tenderer
SURNAME OF TENDERER
MR/MRS/MISS OR TITLE
FIRST NAME(S) IN FULL
ADDRESS IN FULL

Caution on Israeli Egyptian cooperation

By James Buxton

THE PROSPECTS of short term economic cooperation between Egypt and Israel in the wake of a peace treaty should not be overestimated, a senior Israeli banker has indicated in London.

Mr. Levinson said that the Israeli consumer goods industry was geared to more sophisticated markets than Egypt and that it would be a mistake for Israel to switch to producing lower standard goods, while the Egyptian luxury goods market was very small.

As for the supply of Egyptian cheap labour to Israel, Mr. Levinson said he did not think that Egypt would wish to develop such close economic ties immediately.

Mr. Levinson said that there were potential economic advantages in the services sector, especially in the promotion of joint tourism between the two countries.

Some of the benefits of a peace treaty might be to strengthen Israel's trade with other countries through the possible decline of other countries' recognition of the Arab boycott of Israel.

Energy was on hand in the form of the oilfields and as the area was highly populated there was less dislike of the "ugly Israeli" than there would be elsewhere.

The real breakthrough for peace would come with Egypt allowing Israeli "technology and enthusiasm" onto Egyptian soil, Mr. Levinson said.

Aircraft exports rise

By L. Daniel in Tel Aviv

ALTHOUGH the overall rate of growth in Israel's industrial exports has slowed down in recent months, overseas sales of aircraft, as well as of electrical and electronic equipment and of textiles have risen sharply.

Exports of aircraft came to \$49m in the first two months of this year, compared with only \$13.6m in the same period last year.

Strikes cripple Calcutta

By P. C. MAHANTI IN CALCUTTA

A SERIOUS crisis has hit Calcutta port with the lock entrance operators continuing to go slow and the crews of Indian ships going on indefinite strike at the same time.

Consequently no ship is able to go in or out of the port and some 67 ships have been stranded at Calcutta and Haldia, according to port authorities.

World Economic Indicators

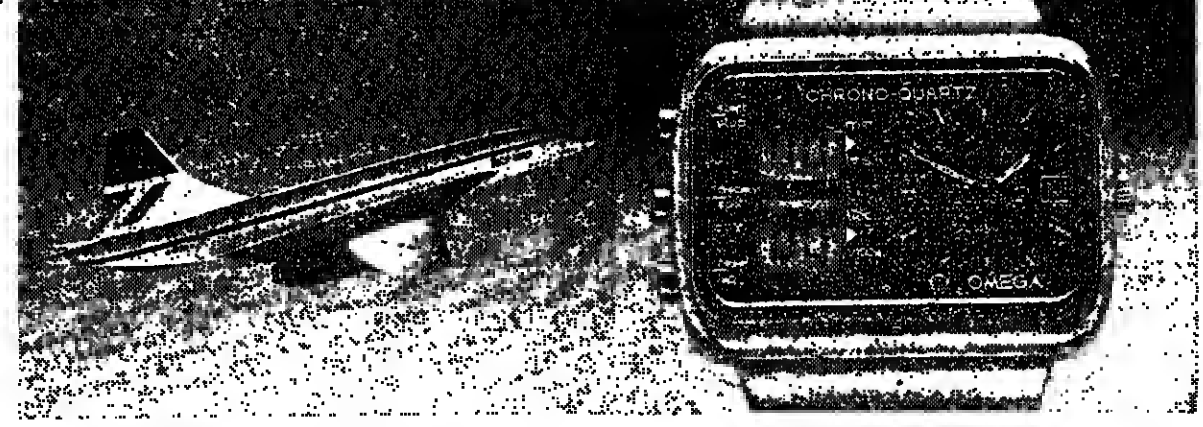
Table with columns: Country, Jan. 79, Dec. 78, Nov. 78, Jan. 78, % Change over previous year, Index base year. Rows include UK, Italy, West Germany, U.S., Holland, France, Belgium, Japan.

PHILIPS

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Competition entry form with questions: 1. Where were the very first TV transmissions made? 2. When was colour TV first publicly broadcast in the United Kingdom? 3. Satellites are now an important link in worldwide TV broadcasts...

House prices still rising as demand continues

BY DAVID CHURCHILL

HOUSE PRICES increased markedly in the last quarter according to the latest survey of estate agents by the Royal Institution of Chartered Surveyors.

The survey shows that last month's increase of 2 per cent in prices over the previous quarter increased to 5 per cent in most areas compared with three months ago. The upward trend is expected to continue because of the housing shortage.

Some of the sharpest increases have been for modern detached and semi-detached houses, although most agents report that demand is outstripping supply in all categories.

Mr. Murray King, chairman of the institution's estate agency committee, said that "the

increasing delays in obtaining mortgages seem to have no apparent effect on the level of demand, which continues unabated.

"As weather conditions improve, more property will come on to the market, but there is every indication that demand will outstrip supply and that the upward trend will continue."

The survey was based on replies from 117 estate agents throughout the UK. On a national basis a 5 per cent increase was reported in prices for at least four out of every 10 properties of varying ages and types. Just over 46 per cent of new houses, for example, rose by 5 per cent in price, with a quarter rising by 2 per cent and one in five by 8 per cent.

No agents reported any fall in prices for any type of property. According to some agents, the four-bedroom detached house in a London suburb or commuter area is most in demand at prices ranging from £50,000 to £100,000, with the average between £60,000 and £70,000.

The institution welcomes the investigation by the Office of Fair Trading into the 10 per cent buyer's premium on furniture and works of art being charged by Christie's and Sotheby's. The institution, whose auctioneer members have to observe a strict code of conduct, said that an auctioneer's obligation was to the seller and his commission should come from the seller and not the buyer.

Fallible forecasts exposed

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THERE WILL be more than a tinge of embarrassment among the legions of economic forecasters this morning. The fallibility of some of their projections has been exposed by their own kind.

The Society of Business Economists—to which many forecasters and planners belong—has published a study showing that the forecasts of several key economic indicators are not substantially better than projections on the basis of naive no-change assumptions.

The study is written by Mr. George Hatjoulis and Mr. Douglas Wood of the Manchester Business School and is published in the Society's journal.

It analyses the relative accuracy of the projections of five leading groups—Phillips and Drew, the London Business

School, Henley Centre, Economic Models, and the National Institute of Economic and Social Research—over the 1974-77 period.

The authors concede that the years reviewed were a particularly turbulent economic period. But they argue, "that it is precisely in such periods of great uncertainty that econometric (mathematical forecasting) models should outperform the naive statistical models. If one excludes the abnormal periods then we would be surprised if the performance of the econometric models could not be matched by some naive statistical model."

The striking feature of the analysis is the failure of the forecasts, as a whole, to substantially improve on a no-change model, roughly equivalent to what might be

achieved from visual extrapolation from a graph, in projecting Gross Domestic Product, consumer spending, investment, and exports.

Both the consumer price index and unemployment are satisfactorily forecast. However, these seem to have been the easier projections to forecast. The authors regard "the role of outside forecasts not as a device to pinpoint the future but as scenario setters and the context within which the forecasts are presented tends to encourage this view."

best performers is shown, for example, by the evidence that while Phillips and Drew appreciably out-performed the National Institute in projecting consumer spending and imports, the latter performed better in respect of investment and consumer prices.

The authors regard "the role of outside forecasts not as a device to pinpoint the future but as scenario setters and the context within which the forecasts are presented tends to encourage this view."

There is also an apparently low predictability of forecast performance. It is apparent that backing form has limited merit.

The Business Economist, from the Society of Business Economists, 11 Bay Tree Walk, Watford, Hertfordshire, WD1 3RX, price £4.00.

National Savings increase

By Eamonn Fingleton

FUNDS managed by the National Savings Department increased by £270.4m to £11,404.1m last month.

The major elements in the department's total savings receipts of £381.3m were £210.2m brought in by the new 18th issue of National Savings Certificates and an extra £97.1m deposited in the National Savings Bank. Repayments totalled £129.4m, giving net receipts of £251.9m. Interest and other accruals added a further £58.5m.

Demand for Volante
ASTON MARTIN is to sell its V8 Volante in the UK and Europe three months earlier than planned because of "public demand." The UK price will be £33,865.

The car was launched last June and by the end of 1978 some 100 Volantes will have been shipped to the U.S. Production is running at three a week.

Sunday trading fight

THE National Chamber of Trade has called for a renewed campaign against proposed legislation to extend the Sunday trading laws in the UK.

The Chamber's move follows the House of Lords approval last week for a Bill to give retailers greater freedom to open on a Sunday.

Mr. Leslie Seery, the Chamber's director, claims that the Lords have allowed themselves to be "hegged into accepting the Bill and thinking all its suggestions can be put into motion without any cost to the customer."

Question of fuel bills

THE National Council for Social Service has again appealed to Mr. Tony Benn, Energy Secretary, to provide detailed information on how many consumers are unable to pay fuel bills and are subsequently disconnected from gas and electricity supplies.

Mr. Nicholas Hinton, the council's director, said yesterday that the questions had been submitted to Mr. Benn exactly a year ago and still remained "substantially unanswered."

Datsun UK enlarges warehouse

By Kenneth Gooding, Motor Industry Correspondent

DATSUN UK, the most successful of the Japanese car importers, is spending £5m on enlarging its parts warehouse at Worthing, Sussex.

The first stage of the development, a new headquarters office block and warehouse, was completed only in 1974 at a cost of £4m. But since then the number of Datsun cars on UK roads has doubled to more than 500,000.

The new project should be completed by October and will add a further 130,000 sq ft to the existing 125,000 sq ft storage space at the 12-acre site.

The value of parts in store will increase from £5m to £7m. In 1978 some 101,734 Datsun cars were registered in the UK giving the company a 6.39 per cent market share.

This year Datsun UK hopes to get enough cars from the manufacturer, Nissan Motors, to maintain its share.

OECD nations 'need to boost economies'

BY OUR ECONOMICS CORRESPONDENT

GOVERNMENTS in the major industrialised countries, especially Western Europe and Japan, should give a collective stimulus to their economies to ensure that overall growth does not slacken, according to two leading economists in the latest issue of the Midland Bank Review, published today.

Mr. Peter Oppenheimer from Oxford and Mr. Michael Posner from Cambridge argue that action should be taken to boost growth by an extra 1 per cent a year up to 31 per cent in 1979 in the 24 countries of the area of the Organisation for Economic Co-operation and Development.

Otherwise, last December's forecast of a 2½ per cent average increase in total output by the second half of this year is the best that can be hoped for.

Without a stimulus—preferably through fiscal means such as tax cuts—the growth of out-

put over the next few years is likely to be half the rate achieved in the decade before 1973, and well below the past rate of growth of productive potential.

The authors argue: "An OECD economy that limps painfully for five years or more through a sort of monetarist purgatory in order to redeem its inflationary sins of the last two decades may soothe a puritan conscience or two, but it also poses a mounting threat to world trade and international investment."

As it is, the article claims, OECD output is between 5 and 15 per cent below full capacity. OECD members are holding back from taking remedial action because of a "prisoner's dilemma" in which countries each hope to benefit from the increase in the demand for their exports which would occur if only their fellow members would take the initiative.

Inquiry may block uranium survey

BY RAY PERMAN, SCOTTISH CORRESPONDENT

BRITAIN'S attempt to fulfil its part of a European Commission survey of uranium deposits could be blocked if a public inquiry to be held this week backs environmental protesters.

The commission is to spend £7m in the next year establishing how much uranium ore there is in the Nin.

In Britain, the search in three areas where traces have been found—the Orkney Islands, Kincardineshire and Caithness—is being undertaken by the South of Scotland Electricity Board.

The board, which has two nuclear power stations and a third under construction, first attempted to drill boreholes in Orkney two years ago, but ran into fierce local opposition and as a result decided not to go any further in any of the areas.

However, it has now been forced to try again or lose the chance to test deposits for the foreseeable future.

The Orkney Islands Council has listed uranium extraction and processing among prohibited activities in its structure plan and has refused to grant plan-

ning permission for test boring on the grounds that since it would never allow mining, there is no point in allowing prospecting.

A public examination of the plan is to be held by the Scottish Office in Kirkwall this week and the electricity board will contest the uranium decision. Orkney is seen by the board and

protestors as a test case for the other areas on the Scottish mainland.

In a written submission, which will be made public on Wednesday, the board argues that it is in the national interest to know if there are any commercial quantities of nuclear fuel in Britain. It claims that mining and refining causes

"no significant disturbance" since most of the waste is returned to the workings and that the "environmental impact is low."

It also asserts that radioactivity can be controlled to standards acceptable to the responsible regulating authorities "and adds that such controls are routine."

£30m gas pipe for North Sea

BY KEVIN DONE, ENERGY CORRESPONDENT

SHELL AND ESSO has started laying a £30m gas-gathering pipeline in the North Sea to link the Cormorant and Brent fields.

Several other fields to the east of the Shetland Islands are expected to be linked later with the gas-gathering system, but operating companies have still to make their final commitment to the scheme.

Shell UK, the operator for Cormorant and Brent, has started work on laying the

initial stage of the "western leg" gas-gathering system, which is designed to recover associated gas, which would otherwise be flared into the atmosphere.

The new pipeline will link into the main gas trunkline leading from the Brent field to an onshore terminal at St. Fergus, near Peterhead.

The 25-mile, 16-inch diameter pipe, is being laid by the barge Semac 1, and should take about

one month to complete, depending on weather conditions.

The pipeline will incorporate two junction manifolds, which will enable other fields, such as Ninian, Hutton, Heather and North Cormorant, to be linked in later.

The market for inspection, maintenance and repair work on the UK Continental Shelf could be worth about £200m a year by the early 1980s, according to the Offshore Supplies Office.

CONTRACTS AND TENDERS

NTPC
National Thermal Power Corporation Ltd.
(A GOVERNMENT OF INDIA ENTERPRISE)
NEW DELHI (INDIA)

INVITATION TO BID FOR COAL HANDLING PLANT PACKAGE RAMAGUNDAM SUPER THERMAL POWER PROJECT

Proposals are invited by the National Thermal Power Corporation Ltd. for the works mentioned herein for phase I of the first stage of Ramagundam Super Thermal Power Project, consisting of 3x200 MW units, at Ramagundam, District Karimnagar, Andhra Pradesh, India.

Scope of Work	Cost of Bid Document U.S. & Indian Rs.	Document Sale From	Dates To	Data set for opening of bids
Furnishing and Erection/Construction of 1600 tonnes per hour capacity Coal Handling Plant incorporating one no. Stacker cum Reclaimer of 1600 tonnes per hour capacity of coal including all connected civil and structural works on turnkey basis. (Specification No. CC-32-013)	120	1000	8th Mar, 79 23 rd May 79 (10.30 hrs. to 15.30 hrs)	6th June 79 Submission: upto 10.30 hrs. Opening: at 11.00hrs.

CIF/Ex-works value of equipment portion of the contract will be financed by credit from the International Development Association. Participation is limited to Bidders from member countries of International Bank for Reconstruction and Development (IBRD) and Switzerland and the equipment, materials, services proposed shall have their source of origin in member countries of IBRD and Switzerland.

Bidders who wish to participate should have designed, manufactured, erected, tested and commissioned (i) Bulk Material Handling Plant of 800 tonnes per hour capacity of coal (or equivalent volumetric capacity for other minerals) and (ii) Stacker cum Reclaimer suitable for stacking and reclaiming at an average continuous capacity of 800 tonnes per hour of Coal (or equivalent volumetric capacity for other minerals). In both the cases, the installations should have been in successful operation for a period of at least two years.

Bidders who have done only one of the above can also participate provided they associate/collaborate with manufacturers of repute, in which case the associate/collaborator should comply with the above stated requirements.

NTPC reserves the right to assess the Bidder's capacity and capability to perform, and to relax the qualifying requirements, if necessary in the interest of the Owner.

The Bidders will be required to furnish a Bid Guarantee for 2% of the Bid Price and a Contract Performance Guarantee for 10% of the Contract Price.

The bid documents can be had from the address given below against payment of the cost either by crossed demand draft or by certified cheque payable to National Thermal Power Corporation Ltd. at New Delhi.

Contract Services, National Thermal Power Corporation Ltd.
303, Skipper House,
62-63, Nehru Place,
New Delhi, 110019 INDIA

Adv. No. CC 068 "HAPPY CHILD - NATION'S PRIDE"

LEMBAGA LEBRIK NEGARA TANAH MELAYU
NATIONAL ELECTRICITY BOARD OF THE STATES OF MALAYA

TRENGGANU HYDROELECTRIC PROJECT

HYDRAULIC, MECHANICAL AND ELECTRICAL EQUIPMENT

TENDERS ARE INVITED FROM MANUFACTURERS FOR THE FOLLOWING:

Contract No. 1854/11
TURBINE/GENERATOR UNITS, STATION CRANES AND ASSOCIATED EQUIPMENT

This contract comprises design, supply, delivery and erection etc. of the following packages:

PACKAGE A:

- Four (4) vertical shaft, Francis reaction water turbines, 102 MW output, 250 r/min, 118 metres net head, complete with electro-hydraulic governors, turbine and pipeline drain systems, cooling water systems for turbines and generators and ancillary equipment.

PACKAGE B:

- Four (4) synchronous generators, 112 MVA, 13.8 kv, 50 Hz 250 r/min complete with static excitation systems and ancillary equipment.
- Four (4) sets of unit control, protection and auxiliary systems for the turbines and generators, including control room cubicles, control desks, electrical protection relay cubicles, auxiliary transformers, motor starter cubicles, and sequence control systems.
- Four (4) sets of main power connections, 13.8 kv, 5,000 A. Isolated phase busbar complete with switchgear, voltage transformers, current transformers, surge diverters, etc.
- Two (2) overhead travelling cranes, 12 metres span, with combined capacity to lift the generator rotor, with 20 tonne auxiliary hoists.

Tenders will be accepted for each contract package separately or for both packages as one contract.

Tenders will be invited to submit an offer to finance all or part of the contract.

Full details of manufacturers' experience and their technical and financial competence, must be forwarded with their application not later than 1 May 1979 to:

Project Manager,
Trengganu Hydroelectric Project,
Snowy Mountains Engineering Corporation,
Box 356, Cooma-North, NSW 2630, Australia

with copy to
Project Engineer,
Trengganu Hydroelectric Project,
National Electricity Board,
PO Box 1003, Kuala Lumpur, Malaysia

accompanied by a documentation fee of \$400 (Five hundred Australian Dollars) international bank draft or money order payable to SNOWY MOUNTAINS ENGINEERING CORPORATION.

It is expected that tender documents will be issued to registered tenderers about June 1979 and that tenders will be required to be submitted about four months thereafter.

Tender documents will be issued by Snowy Mountains Engineering Corporation. The documentation fee will be refunded only to applicants not issued with tender documents.

Tenders shall be delivered at the head office of LEMBAGA LEBRIK NEGARA TANAH MELAYU, 138 Jalan Bangsar, Kuala Lumpur, Malaysia. The exact date and place for submission of tenders will be specified in the tender documents. LEMBAGA LEBRIK NEGARA is not bound to accept any application or to accept the lowest or any tender.

LEMBAGA LEBRIK NEGARA is not liable for cost incurred by tenderers in preparing tenders.

ARGENTINE REPUBLIC
Ministry of Economy
State Secretariat of Energy
Hidronor S.A.
Hidroeléctrica Norpatagónica Sociedad Anónima
Alicopa Complex
Alicurá Hydroelectric Project

Prequalification of contractors:

Contract 540 t: hydraulic turbines
In connection with a subsequent call for tenders for design, manufacture, transport, erection, testing and putting into commercial operation of three (3) vertical shaft Francis type turbines, each rated 257 MW at a net head of 116 m, and associated equipment. Hidronor will receive and analyse the qualifications and references of those firms or consortia of firms that have adequate technical and financial capacity and wish to take part in the call for tenders.

Contract 540 g: generators
In connection with a subsequent call for tenders for design, manufacture, transport, erection, testing and putting into commercial operation of three (3) synchronous generators rated each 280 MVA, suitable for coupling to vertical shaft Francis type turbines, and associated equipment. Hidronor will receive and analyse the qualifications and references of those firms or consortia of firms that have adequate technical and financial capacity and wish to take part in the call for tenders.

Terms of reference:
The procedure for submission of data for this purpose is set out in corresponding prequalification documents which may be obtained either from Hidronor S.A., Av. Leandro N. Alem 1074, 4th Floor, 1001 Buenos Aires, Argentina, or at the main offices of Electrowatt Engineering Services Ltd., P.O. Box, Bellerivest, 36, CH-8022 Zurich, Switzerland, and SWECO A.B., P.O. Box 5038, 2, Lindegatan, S-102 41 Stockholm 5, Sweden, as from March 18, 1979.

The envelopes containing the qualifications and references of the firms or consortia concerned must be submitted to Hidronor S.A., Av. Leandro N. Alem 1074, 1001 Buenos Aires, Argentina, before 4 p.m., May 7, 1979.

CARCASE CLASSIFICATION
REGISTRATION OF TENDERS

Invitation to register interest as a tenderer for the future provision of equipment, in part or whole, and software, and maintenance, for classifying cattle, sheep and pig carcasses in Australian abattoirs.

The AMLC, an Australian Government Statutory Authority, is undertaking, on behalf of the Australian Government, the responsibility for the supply and installation of a national carcase classification scheme.

The scope of the project involves development, design, manufacture, assembly, testing, installation and commissioning of a classification system including:

- AUTOMATED CARCASE WEIGHING SYSTEMS
- KEYBOARD TERMINALS
- CARCASE FAT THICKNESS INDICATORS
- TICKET PRINTERS
- LINE PRINTERS
- CENTRAL PROCESSING UNITS
- DATA STORAGE UNITS
- ASSOCIATED APPLICATIONS AND SYSTEMS SOFTWARE
- POST COMMISSIONING SUPPORT

It is intended initially to call tenders for a limited number of systems, or units of equipment, for testing end field trials. The aim of the trials will be to establish the commercial feasibility of the system(s) before proceeding to full-scale ordering. Equipment could ultimately be required for more than 100 abattoirs and up to 400 slaughter chains.

Organisations interested in registering should contact the Corporation to obtain further information and a questionnaire. The questionnaire, on the resources and experience of the tenderer will need to be completed to register interest in this project. The questionnaire may be obtained by:

Telaxing AA22887
or writing to:
Australian Meat and Livestock Corporation,
GPO Box 4129,
Sydney, NSW 2001.

Enquiries relating to intention to register close on March 30, 1979.

AML029

COMPANY NOTICES

HARMONY GOLD MINING COMPANY LIMITED
Incorporated in the Republic of South Africa
A Member of the Barlow Rand Group

DIVIDEND DECLARATION

NOTICE IS HEREBY GIVEN that dividend No. 45 of 53 cents per share has been declared in respect of the ordinary shares of the Company for the period ending 31st March 1979. The register of members registered in the books of the Company as at the close of business on 30th March 1979, is the register of members entitled to the dividend. The dividend will be paid on or about 8th May 1979.

The dividend will be exchanged at which the dividend will be converted into United Kingdom currency for payment of the dividend to the office of the London Secretaries will be the telegraphic transfer rate of exchange between Johannesburg and London valid on the first business day after 31st March 1979 at which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% has not been deducted from the dividend. The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg or the London offices of the Company.

BY Order of the Board
RAND MINES, LIMITED
Secretary

Registered office:
15th Floor, 53 Fife Street,
Johannesburg 2001,
S.A.
(P.O. Box 2577)
Johannesburg 2107,
S.A.

Chartered Accountants in the United Kingdom:
Charter & Co. Limited,
40 Holborn Viaduct,
London EC1A 3JF, England

Chartered Accountants in the Republic of South Africa:
Charter & Co. Limited,
100, Market Street,
Johannesburg, 2001, S.A.

15th March, 1979

KINGDOM OF NORWAY
U.S. \$25,000,000 5½% 20-YEAR
EXTERNAL LOAN OF 1984

Soleholders of the above Loan are advised that the Redemption date on the 13th May, 1979, is U.S. \$2,104,000 nominal, has been effected by purchase. **HAMBROS BANK LIMITED**
19th March, 1979.

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مكتبة الأمل

State credit may clinch £20m deal

BY LYNTON McLAINE

GOVERNMENT plan to ante payments for ship and conversion work may save jobs and win a order for George Clark NEM, the Tyne-side marine oe builder.

plan would modify on 10 of the Industry Act, which guarantees payment ships and mobile offshore lations built in Britain. e are no guarantees for rs or conversions.

Seatrains Lines of the U.S. s to convert four gas tur-powered container ships to ic diesel engines.

orge Clark and NEM, in ersion with Hawthorn e (Engineers), also on the as produced technical eals and a price acceptable eatrain. British Ship- ers, the State-owned bold- mpany which owns the marine engine companies, ower, failed so far to ce financial arrangements, ding competing credit, which Seatrain is deman-

e Government plan would id the Home Credit antee Scheme to conversion

British Shipbuilders bid to cut time-wasting

BY ALAN PIKE, LABOUR CORRESPONDENT

ISH SHIPBUILDERS ia ng up joint management- 3 monitoring committees in ards in a bid to reduce in- and time-wasting.

veral committees are dy in operation and meet ly to examine progress. The tion is that they should ust become another oppo- y for discussion, but should a speedy and effective e for solving problems.

e joint management-union oach to productivity prob- is part of a drive by sh Shipbuilders to improve rformance in five areas—tech- y, production engineering, rganisation, control and eads—to ensure that the ration is in a competitive on to face the expected

improvement in the shipbuilding market in the early 1980s.

Recently published studies by British Shipbuilders show that an average of 3 hours 5 minutes of the working day is non-productive.

This ranges from factors directly in the control of the workforce like late starts to waiting time, travelling to work areas and bad weather. The corporation has started a drive to increase productive time by 30 minutes a day which it is estimated would yield a 10 per cent increase in productivity.

Mr. Ken Griffin, deputy chairman of British Shipbuilders, said employees had to understand that time wasted by them was their biggest threat.

NEWS ANALYSIS—PACKAGING

Love from traditional materials predicted

MAX WILKINSON

CONTINUED movement from traditional packaging materials, particularly fibre and paper sacks, towards plastics and aluminium is predicted in an Economist Intelligence Unit report on the pack- industry.

t a switch to newer als will require heavy il investment, which will n depend upon business lence. The report foresees using competitiveness in 4bn a year packaging in- y which it believes will be y surplus capacity and ver increase in the rate of nd than has been experi- in the last 20 years.

industry as a whole is ist to grow at a rate only y above the growth of the onomy as a whole. Within overall growth, different s are seen as having dy different growth rates. cs are expected to increase ove average rates, glass, num, tinplate and aerosol iners should enjoy average h; but paper and board, ose film materials, jute steel drums and wooden iners are all predicted to at below average rates.

report says: "One of the st factors militating against change will be the degree, pital investment required, i in turn rests upon busi- confidence and a willing- to take risks, both of which currently lacking and are to continue so for several y. By the end of the 1980s, ver, a different pattern may ginning to emerge."

e price of packaging is ted to stabilise in real s and in most sectors, rises tween 8 per cent and 12 ent, in line with inflation, redicted.

e increase in price for glass iners is expected to be 7 average, because of the vely low raw material cost, glass is expected to meet competition from plastics. paper and board products are likely to increase in price at a faster-than-average rate, as are those made from aluminium and steel.

Although the price of plastics will depend upon the availability and cost of crude oil, the report expects that supplies will be adequate during the early part of the next decade and probably until the end of it.

The report says that in spite of the sharp rise in the price of oil in 1973/74, plastic packaging materials have continued to be used to an increasing extent.

The report, "Packaging in the 1980s" by Rowena Mills (ETU £80), reviews the performance and expected changes in eight separate sectors of the industry. These include:

Paper and Board: Consumption of cartonboard has remained fairly static during the 1970s, increasing only from 557,000 tonnes in 1970 to an estimated 580,000 tonnes in 1978, when manufacturers' sales of folding cartons were £417m. About 56 per cent of these cartons were used in the food trade.

The UK production of fibre-board packing cases has increased slowly from 2.2m square metres in 1970 to 2.7m square metres in 1978 when the value was £460m. Competition from plastics is expected to intensify in this sector also, as also in the market for paper-board boxes which totalled 63m tonnes with a value of £73m in 1978.

The production of paper packaging and wrapping products has generally declined in the 1970s. The 1978 production figures given in the report are: carrier bags, 101,000 tonnes (£71m); food and kraft paper wrapping, 138,000 tonnes (£83m); paper sacks, 235,000 tonnes (£111m).

Plastics: The volume of plastics used in the packaging industry has increased every year during the 1970s from 362,000 tonnes in 1970 to an estimated 684,000 tonnes in 1978, when the value was £445m.

Conservatives would balance bargaining power, says Prior

BY CHRISTIAN TYLER, LABOUR EDITOR

A CONSERVATIVE Government would present a "moderates' charter" in place of Labour militants' charter by restoring the balance of bargaining power, Mr. James Prior, Shadow Employment Secretary, said yesterday.

He argued that there was an imbalance not only between management and unions, but also between "the official union position and unofficial action."

Some changes in industrial relations law had a part to play in the Conservatives' proposals for "getting the balance right."

Mr. Prior was addressing West Midlands Young Conservatives in Malvern, Worcs. His speech was characteristically low-key in contrast with the increasing vehemence with which other Tory leaders have been addressing themselves to "the union problem."

As a direct result of the recent spate of industrial action, his tactics have put him out of favour with many of the Shadow Cabinet.

Some of his supporters fear that an early election would be fought on a union-bashing plat-

form, and that Mr. Prior would stand no chance of being endorsed as Employment Secretary by a victorious Mrs. Thatcher.

The bigger the Conservative majority, they believe, the less chance Mr. Prior has.

The Prior camp believes that Mr. Callaghan will be able to hold on until October. It hopes that by this time, Mr. Prior's essentially defensive tactics will be rehabilitated within the Shadow Cabinet.

His allies argue that a frontal assault on union power with the promise of extensive legislative reform would only rebound on the Tories, since opinion polls show that Labour is still bettered to be able to get on with the unions in spite of its recent trouble.

Mr. Prior has done much to heal the rift between his party and the trade union inherited from Mr. Heath's administration, when he was a hawk on industrial relations. There can be little doubt that the TUC would rather see him at the Department of Employment than a new hawk from Mrs. Thatcher's immediate entourage.

Civil servants set for all-out strike

BY PAULINE CLARK AND PAUL TAYLOR

A CIVIL SERVANTS' general strike in Scotland and probably in most of England seems unavoidable on Wednesday if the Scottish Office does not lift its threat to suspend 40 of its staff.

The two biggest unions in the nationwide Civil Service pay dispute will today send out instructions for a mass rally of Scottish members on Wednesday, when the suspension notices are due to come into effect.

Civil servants throughout the rest of the country will be told at the same time to hold mid-day meetings to make their own decisions on what action to take if their Scottish colleagues are sent home.

The 106,000-strong Society of Civil and Public Servants is leading the action with the 330,000-strong Civil and Public Services Association. The Society said yesterday that the Scottish dispute was now a separate issue from the pay row. Action could go ahead even if a new pay offer emerged from tomorrow's resumed pay negotiations.

The 40 accounting staff in the Scottish Office in Edinburgh face suspension for refusing to carry out the work of computer operators who have joined the national campaign for selective action over pay in the past three weeks.

The unions have condemned the Scottish Office for taking action which "would not stand up in the courts" because it constitutes asking union members to strike-break.

Some 40,000 civil servants in the two unions will take part in Wednesday's planned action if the suspension notices are not withdrawn. The unions warned that many may not return to work afterwards.

Last Thursday, the two unions stepped up the selective strike by bringing out a further 150 key members. This raised the total involved directly in the dispute to 1,600.

The main target of the strikes is Government computer installations, and the dispute is causing increasing disruption and delay to many Government functions, including statistics collection and private sector payments.

However, the strike appears to be only inconvenient to the Government since the private sector is bearing the brunt of the strike effects with delays in payment of grants, subsidies, refunds and contracts.

Some Government departments are probably "saving" money because private sector credits are not being paid.

Farmers waiting for capital, subsidy and grant payments from the Ministry of Agriculture Fisheries and Food seem to be hardest hit in the private sector. About 4,000 weekly payments totalling some £3m a week are not being paid because the computer at Guildford has been closed.

Companies waiting for Value Added Tax repayments have

been hit by the closure of the Customs and Excise computer at Southend. This normally handles incoming returns totalling about £122m a week, and pays out £41m a week.

No VAT refunds are being made, which has led to an increasing number of complaints. Receipts have also fallen, but the department is understood to be showing a "profit" on the dispute.

Special arrangements have been made to pay some Ministry of Defence contractors after the closure of computers at Liverpool and elsewhere. Contractors are being paid from two specially opened offices in London and Liverpool.

The Department of Industry computer at Cardiff handling payments totalling £50m a week in regional development grants to companies in Wales and civil service expenses for several departments is also closed. However, the Department said

the grant payments would be continued.

The closure of the Manchester Export Credits Guarantee Department computer is causing some delay. The position is likely to worsen if the main computer handling export credit guarantees in Cardiff is closed down on Monday as threatened.

The ECGD claimed that the dispute is unlikely to affect the underwriting of credit limits for exporters but it may cause further delays in paperwork.

Elsewhere, payment of pensions, death grants and other benefits to teachers has been hit by the closure of the Department of Education and Science computer at Darlington, but other arrangements are being made to pay student post-graduate grants.

There is still no public access to company registers in London and Cardiff, and the strike has stopped the incorporation of new companies at Cardiff.

North Sea deal rejected

HOPES OF settling the long-running North Sea construction workers' dispute fell yesterday when shop stewards from four unions representing 2,000 workers told local union officials in Aberdeen that a new deal had been rejected by 85 per cent of the men working offshore.

Shop stewards have called for a meeting of national officials, the employers and shop stewards from each trade to reconsider proposed 1979 settlement terms within two weeks.

The main sticking point in the way of a new agreement is the leave cycle.

A new offshore strike cannot be ruled out, but stewards yesterday were reluctant to predict industrial action.



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Holders of the above mentioned loan are hereby informed that the annual instalment of \$US 1,500,000.—due April 1st, 1979 has been effected by drawing by lot of 1,500 bonds of \$S 1,000.—each.

The following bonds have been drawn on 5th March, 1979, in the presence of a notary public:

nr. 7260 to 8759 inclusive

The bonds will be redeemable at par on and after April 1st, 1979 with all unmatured coupons attached thereto.

The principal amount of bonds outstanding after the amortization of April 1st, 1979 will be \$US 17,500,000.—

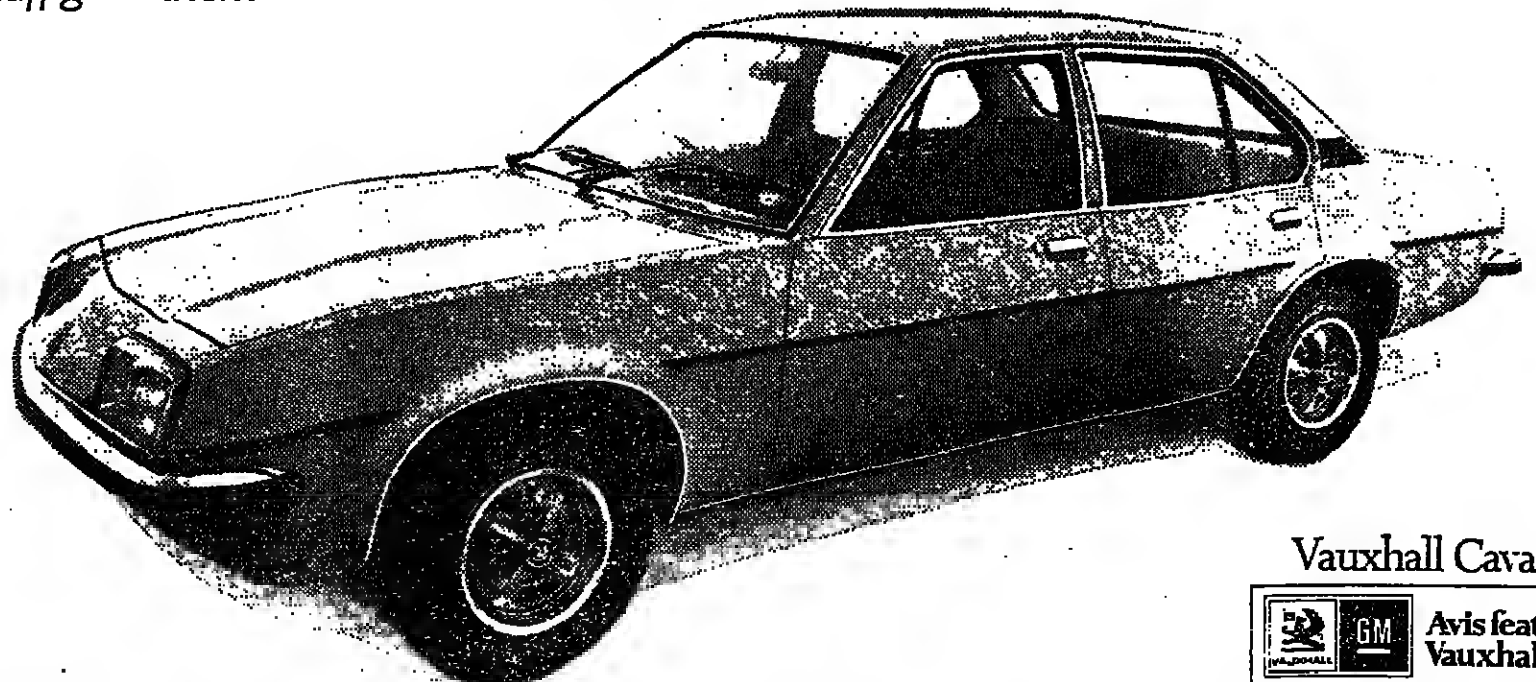
BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Luxembourg, 19th March, 1979

مكتبة من الخبز

No one tries harder than Avis.

You might think 'We try harder' is a slogan we have trouble living up to. Well, Avis girl Gina Morton doesn't seem to have that problem. One night, a young couple returned an Avis car to our office at Gatwick. They were due to catch a flight to the States, but were too late. They were also too late to get into any of the nearby hotels. As far as Gina was concerned, there was only one solution. They would have to spend the night in the Avis office. She provided them with blankets, and the night staff gave them hot drinks.

They caught the first plane out next morning. It isn't just for this kind of service that people come to Avis. There are our cars. Most are brand new, few are more than nine months old. And with nearly 70 offices dotted about the U.K., we're pretty local, too. Also, when you rent a car, you'll be given a handy pack containing a cloth, ice-scraper, cologne towelette and a litter bag. So you see at Avis, we really do try harder.



Vauxhall Cavalier.



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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

METALWORKING

Easier automation for a lathe

SIEMENS is to introduce at the NC 79 Exhibition (Kenilworth, 22-24 April) a modular computer numerical control for lathes that can be programmed by the machine's operator.

Sinumerik Mate-TG has an interactive display to show both programmed data and the cutting tool's path. Computer numerical control (c.n.c.) has not generally been applied to simple machine tools used for single and small-lot production because of the high financial outlay for programming the n.c. machines. To overcome the problem of initial outlay, Siemens has developed a number of c.n.c. systems characterised by simple manual-input programming and the use of low-cost microcomputers.

Mate-TG is the first closed-loop computer numerical control for lathes that incorporates automatic self-programming. It has eleven interactive display functions that are shown on a built-in cathode-ray tube display.

A microprocessor facilitates automatic programming. All the

operator has to do is enter the basic dimensions of the workpiece, the codes for the tools to be used, the off-sets, feeds, turning speeds and simple instructions, e.g. "inside convex arc," and the computer software performs all the necessary computations, calculates the arc centre and programs itself.

Software for the Mate-TG incorporates multiple repetitive cycles and "program copy" features that permit the operator to repeat any portion of the cutting cycle at various positions on the workpiece. Decimal-point programming is another standard feature, allowing "leading" and "trailing" zeroes to be ignored, thereby saving programming time, shortening program lengths and making data entry much easier.

To further simplify use, actual English words such as "groove", "thread", "chamfer", "arc", "corner", etc. are displayed instead of "G" codes. This eliminates the need for a specialist programmer.

Siemens House, Windmill Road, Sunbury-on-Thames, Tel. 09327 83691.

INSTRUMENTS

Noise gauge is compact

THE EXTENT of a noise pollution problem can be quickly judged using an indicator from Dohm London (130 Gypsy Hill, London SE19 1PL, 01-670 5383) that is small enough to be carried in a top shirt pocket without too much inconvenience. Powered by a 2.7 volt battery giving 100 hours of use, the

instrument has a sensitive built-in capacitor microphone with a filter that results in frequency weighted readings based on the "A" scale in IEC recommendation 123.

Readings are produced on a meter calibrated from 40 to 120 dBA in one scale; the user merely presses a button to get the reading.

Unit generates or reads

A SMALL equipment aimed at process instrumentation engineers for checking and calibrating devices such as three term controllers, indicators and recorders has been developed by Haven Automation, Cowley Industrial Estate, Gendros, Swansea SA5 5LQ (0792 34722).

The instrument will either provide at its terminals, or will measure voltages up to 199.9 millivolts or currents to 199.9 milliamperes. Readings of input

or output appear on a 3½ digit 0.5 inch dual polarity liquid crystal display with over-range indication and an auto-zero facility.

Power is derived from two PPG nickel cadmium batteries and the built-in charging circuit is activated simply by connection to a mains supply.

The Minical 200 will operate in the metering mode for 500 hours continuously and for five hours at maximum output.

COMPONENTS

Slim door for UK

FOR THE first time, a 30-minute fire resistant door which is only 1½ inches thick has been awarded a British Standard fire certificate, claims Mallinson-Denny who has just signed an exclusive agreement with Jutlandia Dore AS of Denmark to offer the latter company's veneered hollow-core and fire resistant doors in this country.

Until now, fire resistant doors have been 1½ inches thick, necessitating a different frame size from that used for hollow-core internal doors. The Jutlandia Dore AS fire door is, however, fully compatible in thickness with standard internal hollow-core doors — also 1½ inches thick (standard metric sized hollow-core doors are

40 mm thick as are the metric sized Jutlandia Dore fire resistant doors). This is said to bring three major advantages: the door is lighter than the average fire door (and, therefore, easier to bang); the material content, and cost, is reduced below current average prices; and only one size of frame is required for internal doors.

Secret, says the company, lies in construction — the volume of combustible timber has been reduced and replaced with increased volume of less combustible composition core.

To complement the fire door range, a knock-down frame with intumescent strip in head and jamb, oak threshold and all fittings, is available for each size of door stocked.

Further on Leeds (0532) 41616.

Integrated cladding

OFFERED FOR industrial and commercial buildings is a British metal cladding system which incorporates not only metal cladding profiles with flashings, fillers, fixers, etc., but also includes a full range of integrated accessories and components such as doors, ventilators, windows and gutters, designed to fit neatly into the cladding width module.

Two basic cladding profiles form the basis of the system, both of which are made in one metre cover widths making, says the manufacturer, estimating and area calculation very easy. They are available in a wide variety of colours and finishes to suit applications both in the UK and abroad,

says Ward Brothers (Sherburn), Widespan Works, Sherburn, Malton, Yorks. (09444-421).

Three types of factory bonded insulation are also available on both profiles. Also offered with the Modulad system are internal and external gutters, the latter being available in a range of colours. Other components include doors, windows and louvre ventilators. These are virtually self-fitting, thus reducing design, detailing and sitework to an absolute minimum.

Curtain walling system is to be added later this year, says the company, and by ordering all components from one source of supply, problems of site delivery, co-ordination and compatibility of components are automatically eliminated.

Electronic thermostats

STILL relatively rare, particularly in domestic use, electronic thermostatic control now features in a range of devices from Satchwell Sunvic, Whittington Street, Metherell ML1 3SA (0698 66277).

The range has however, been designed to cover a wide variety of applications, needing different spans and different differentials, and can be used in the control of boilers, processes, pumps, fans, relays, gas and oil burner controls and for air conditioning equipment.

The thermostat-based sensor, about 5 mm in diameter and not more than 40 mm long, can be installed remote from the

associated electronics box, the latter having dimensions of 156 x 85 x 58 mm. To cover a total temperature range of -20 to +300 deg. C there are at the moment nine boxes and four sensors. The differential can be adjusted on site between 0.2 and 5.0 deg. C.

Thus, in a domestic environment the control box could be placed in, say an airing cupboard while the sensor could be optimally positioned in the house. In laboratory work, bulky rod thermostatic elements can be dispensed with.

Operation is normally from the mains, but a 24 V ac model is available.

Scheme for electrical accessories

THE INTERNATIONAL Electro-technical Commission is now working towards a fully international modular installation system for electrical accessories such as socket outlets, switches, push buttons and pilot or signalling lights, used in domestic and similar installations.

The commission has issued a report, Publication 629, as a first step and this recommends a 12.5 mm module. Any products intended for co-ordination in the system would have to fit into a modular grid surface which is formed by regular and orthogonal parallel lines. The maximum outline of a given piece of equipment would have to fit in bordering limits the dimensions of which are full multiples of the standard module distance.

Although in general the number of multiples would be optional, for socket outlets multiples of two and four have been chosen. The IEC is at 1 Rue de Varembe, 1211 Geneva 20, Switzerland.

Walls made to move

IT IS not only easy to partition a ballroom or conference hall with a concerning system of movable walls, but Varidex operable walls also achieve a sound reduction and an attenuation level of 55 dB, says Unilock Group of Companies, 176-184, Vauxhall Bridge Road, London SW1V 1DX.

Made by Hüppe of Oldenburg, West Germany, four different systems are available for use in a wide range of buildings, including offices, schools, hotels, and conference centres.

Walls can be provided to suit openings up to 8 metres high. Widths of individual elements range from 600 mm to 1250 mm and 100 mm thickness is standard, with the exception of the 150U system which is 150 mm thick.

Use of ball bearing rollers allows easy movement, and various options are available for suspension and parking. If required, an electric operating mechanism can be supplied.

Single or double-leaf hinged doors and frames can be incorporated within individual elements to allow access through the walls when they are in the fully closed position.

Frames are aluminium and steel and a wide variety of finishes includes vinyl, melamine, bessian or timber veneers.

HANDLING

Weigh plant for Dubai

WEIGHING equipment made by Solidate, of Sandbach, Cheshire, has been specified by George Wimpey for the £500m aluminium smelter being built in Dubai.

The complex will eventually produce 135,000 tonnes of high grade aluminium a year. It is due to be completed in two years' time.

The equipment to be supplied by Solidate, in a deal worth £50,000, is an 80 tonnes Moduline road weighbridge to weigh coke and alumina arriving by road from the port of Jebel Ali, together with 14 tonnes capacity ladle scale to weigh molten aluminium from the smelter on a mobile transporter.

The smelter is being constructed for the Dubai Aluminium Company (DUBAL) by British Smelter Construction, a joint company owned by Wimpey and Selection Trust.

MATERIALS

Replaces fragile glazing

ANYONE WHO has in his back garden a greenhouse or frame will undoubtedly have found, after the heavy snows and howling gales of the past three months, that many panes have cracked, or have even given way.

Plastics materials to replace horticultural glazing have been on offer for some time. One of the latest is Malaray, a semi-rigid polyester resin sheeting reinforced with glass fibre.

Used as a second skin, it will cut heat losses from the greenhouse by at least 60 per cent and reduce ultra-violet irradiation by close on 94 per cent.

Used as primary "glazing" in a formulation which has an extra layer of weather-proofing —ICI Melinax 301, it will withstand particularly hard knocks, including those from the local street footballers.

Natural Energy Jersey, 40 Kensington Place, St. Helier, Jersey. 0534 75221.

ENERGY

Passive sun heating

MOST BUILDINGS today are heated, or cooled as the case may be, using "active" equipment: furnaces, boilers, electric heaters and air conditioning. It was natural, when first trying to harness the energy of the sun, to design equipment of the same active kind in order to do this. Into this category fall solar collectors, heat pumps, solar turbines and the like.

But it is being realised increasingly that every building can capture (or exclude) solar energy by suitable design and the incorporation of "passive" hardware: that is features which do not require energy themselves and which are essentially simple and, therefore, low in cost. An ordinary window of the right size, orientation and shading is an example of such a device; the incorporation of

the mass of the building itself within the design process is another example. This approach has been put into practice in various parts of the world and is, of course, traditional one in any case. What is new is the theoretical basis of calculation, and thus the possibility of extending the principle considerably without necessarily using the massive amounts of material employed in the past.

Such work has been going on in France in the United States, Southern Mexico and Britain.

All these topics are to be examined at a one-day conference on April 24, 1979, organised by UK-ISES, to be held at the Royal Institution. Further from UK-ISES, 19, Albemarle Street, London W1X 3EA (telephone 01-493 6601).

TEXTILES

Fast repetitive sewing

IN THE clothing, shoe, leather, fancy goods or similar industries, "backstitch" are needed to give added strength or finish to the appearance of the product. This is particularly necessary in such items as comb-cases, or spectacle cases, which have constant handling.

A medium-priced fully-automatic profile sewing machine which can backstitch in any part of its automatic sewing cycle, is now being produced by Trubensied (Sales), Trubro House, London Road, Washwater Green, Knebworth, Herts. (0438-812512). Known as the Trumatic 1400S it has a sewing area of 25 x 10 inches, allowing a large number of small items to be loaded at once and accommodated in the sewing cycle.

Continuity of production with minimal training costs is assured, it is claimed, as even unskilled operators require only an hour or two of experience on the machine, while the training of each of the five or ten

workers sewing by eye who would produce an equivalent volume through lower quality of output, can take months.

Standard features which contribute to high productivity, says the maker, include fully automatic sewing cycle, left-right working, dialled stitch length and sewing speed, and easy to change styling.

Accuracy, reliability and low maintenance all follow from the use of hydraulic movement of the workholder relative to the Flat 483-900 sewing head. Movement of the workholder is controlled by a hydraulic servo valve operated by a magnetic joystick which follows a simple sheet metal profile in the same shape as the design to be sewn.

Profiles are said to be easily cut in the workshop and can be changed in under two minutes by the operator on the machine. Already in batch production, the 1400S machines are promised for delivery early this summer.

PRINTING

New technology gaining ground

EVIDENCE OF the increasing acceptance that self-contained direct entry photocomposing machines are gaining in the "small" end of the printing industry is afforded by the fact that one company, Itak, has sold well over 500 of its model 1200 Quadritek machines in Europe since introducing it about 18 months ago.

Two principal competing companies, Compugraphic and Lineo, are believed to be clocking up similar sales.

Itak's business in Europe in composing machines alone now totals over £5m, and in the UK about 160 machines have been placed, about two-thirds of them in commercial printing and the remainder in in-plant print shops; the latter market is in-

creasing faster than the former.

Latest machine, the 1201, uses the well-established method of printing of the 1200. It consists of a central instruction and text-displaying VDU and keyboard, with font plug-in and magnetic storage to the right and photo-stere paper output (wet silver technology) to the left.

The machine can call on four 112-character fonts on line, held on four segments of a rotating optical disc which also contains bar code data concerning spacing and other typographical "housekeeping".

Each character is exposed via a multi-lens system giving 51 to 36 point sizes according to key depression on the "qwerty" keyboard. Font and size changes can be made from the

THE NORGREN OLYMPIAN PLUG-IN SYSTEM

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SECURITY

Sensors to meet most needs

SPECIALIST fire and detection alarm company, Tann Synchro, of Station Road, Westbury, Wiltshire BA13 3JT (0673 823491) has developed a complete range of fire detectors known as the 3000 series.

One of the items, the 3100, is an optical device meeting the requirements of BS5446 Part 1. It is able to detect the "cold smoke" generated by a low level smouldering fire at an early stage, particularly that emitted by plastic foam materials. The range includes an ionisation type, the 3200, also meeting the above standard. It employs less than a microcurie of Americium 241 and will quickly react to early emissions, before smoke of any significant density is produced.

Two heat detectors are offered. The 3300 is a rate of rise device conforming to BS1116 Part I and having a temperature range of 58 deg. C. For abnormally high temperatures, a fixed temperature detector, the 3400 is available to operate at 88 deg. C. with automatic reset, obviating the cost of replacing fusible links.

The detectors have a common base mounting with a pin arrangement that prevents insertion of the wrong type. A light emitting diode shows an alarm state.

PRINTING

New technology gaining ground

Major changes, however, have been in magnetic storage, which is now dual floppy disc with an increase in character storage to 0.5m and random access of stored material in a few milliseconds. Earlier machines used cassette tapes.

A further market being pursued by Itak is connection to word processing units, the output of which may not be in suitable form for printing; a new data communications interface obviates re-keyboarding. Only minimal operator intervention is needed for the word processor to talk directly to the Quadritek over phone lines. Itak is at Mora Street, London EC1V 8BT (01-253 3080).

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For further details please contact: Rob Childes, Industrial Promotion Officer, Cumbria County Council, The Courts, Carlisle, Cumbria.

Telephone Carlisle (0228) 254196



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And the money that BL earns abroad makes a greater contribution to Britain's balance of payments than any other single company.

 **BL Limited**

Building and Civil Engineering

£8m project for Warrington centre

ANOTHER PHASE of the Golden Square development scheme in Warrington, Cheshire, is to be undertaken by A. Monk and Company. Value of the contract is over £8m.

The work is being carried out for Legal and General Assurance (Pensions Management) and will form the eastern segment of the shops and bus station begun by Monk in 1974.

Bounded by Horsemarket Street, Market Gate and Market Place, the project connects with Phase 2, also built by Monk, which overlooks the Golborne Street ring road and frontage with Sankey Street. A number of Georgian and Victorian style facades to existing shop buildings are being conserved and the existing fish market building refurbished.

An interesting aspect of the whole scheme will be a 9 metre high pedestrian mall serving over 50 of the shopping units and giving access from the bus station.

Beside the fish market structure there is to be a conservation area in which the old town hall, previously demolished will be rebuilt in specially selected brickwork and faced just as it

was over 250 years ago. Adjacent to this building will be a number of shop units rebuilt to look as they did in Georgian and Victorian times.

Architects for the complete scheme are Ardin and Brookes and Partners with Ove Arup and Partners as structural engineers, Donald Smith, Seymour and Rookes as services engineers and Gardner and Theobald as quantity surveyors.

Lovell Housing makes £7.8m

MARLOW BASED construction company, Lovell Housing, has received three contracts totalling about £7.8m and is to carry out projects using its timber frame system of construction for the Property Services Agency and Crawley Borough Council.

values, together with the modernisation of 81 traditional homes by rewiring, installation of central heating, cavity fill insulation and redecoration. Additionally, 13 of these houses are to be enlarged.

Feature of the scheme is that all the new houses (two, three, and four-bedroom designs) will have fully mechanical ventilation operated automatically by a "dew detector". Air drawn by a fan from the roof space will be ducted throughout the building and exhausted via the kitchen.

and eight flats at a cost of £2.2m at Bewbush North Site 2. This includes external works and ancillary services. Houses are all three-bedroom, being designed either for three or four persons, and the flats are two-person, single bedroom. Altogether, 751 people will be accommodated by the scheme.

At Bewbush 7, contract value of £2.2m covers 188 units comprising 104 houses (all five-person, three bedroom), 60 flats (three-person, two-bedroom), and four bungalows (three-person, two-bedroom) for paraplegics. Altogether, 772 people will be housed by this scheme.

Largest scheme is valued at £3.2m and is for the PSA on behalf of the Ministry of Defence at Dale Army Camp, Chester. It involves a design and construct contract for the erection of 155 married servicemen's and officers' quarters in timber frame with high-insulation

square foot laboratory, test area and associated offices, plus site roads drainage and other external works, next to an existing plant at Silverwood Road.

Construction of the new building will be steel frame on concrete pad foundations with pre-cast concrete cladding panels to

offices and Galbestos insulated cladding to laboratory and test areas.

Completion is due by early 1980, and provision will be made for the possible addition of a further storey to the office block and an extension to the laboratory test area.

Laing takes seven new jobs

SEVEN CONTRACTS for John Laing worth over £5m cover home improvements works, and an international technical centre for the Goodyear Tyre and Rubber Company.

Six contracts, to improve more than 300 dwellings in Manchester and Salford, are worth about £3m. Five contracts are for the Manchester City Council, and form part of the housing committee's programme of modernisation of pre-war dwellings. Largest job is the Caterick Hall Improvement Scheme phase 1B at Burnage, where the company is carrying out essential repairs, removing fireplaces, retiling kitchens, modifying electrical systems, installing central heating, insulating lofts, and completely redecorating the interiors of 147 dwellings.

THIS YEAR'S Construction News "Man of the Year" award has gone to the project management team which built London's tallest building, the 600 ft high National Westminster Bank tower in Bishopsgate, City of London.

The company's Irish region is to build Goodyear's technical centre under a £2m contract at Craigavon, Co. Armagh, Northern Ireland.

This will comprise a 63,000

phus. A fourth, isolated dolphin, will protect the upstream section of the jetty.

Structures, which will be supported by tubular steel piles, will be 29.5 feet wide and vary in length between 55.75 feet and 66.6 feet. Dolphins will be protected by heavy steel fender piles.

Other work includes repairing the jetty where necessary and strengthening the "kneekle" between it and the entrance lock. Completion is due this autumn.

The two men who won the award were project director, Roger Sainsbury and project manager, Alf Ames of John Mowlem and Co, both of whom have worked on the development since 1969, starting on site in 1971.

A silver replica of the tower was presented at a ceremony at the Inn on the Park Hotel, in London last week.

PORT OF London Authority has awarded a £1.5m contract involving jetty work at Tilbury Docks to John Mowlem and Company.

An existing timber "lead-in" jetty will be partly replaced with new dolphins on the upstream side of the dock entrance. The jetty helps guide ships into the entrance lock. Work has already started on replacing sections badly damaged by impact from slipping with three reinforced concrete dol-

phus. A fourth, isolated dolphin, will protect the upstream section of the jetty.

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£3.3m awards to McGregor

TWO McGregor companies have been awarded contracts totalling £3,379,000. McGregors joined Norwest Holst group in October, 1978.

part of Nottingham canal. Completion is due in June 1982.

McGregor (Paving) has a £129,000 contract from British Rail (Scottish Region) for the installation of a paved track near Grantham, Leicestershire.

and Development Division of British Rail.

PACT is now in use in main line railways in many parts of the world. Its stability and section, high virtual freedom from maintenance in difficult locations, in overhead electrification schemes, or in parts of the world where the geography often makes track maintenance a problem.

Robert McGregor and Sons has obtained a contract worth £31m from NCB Opencast Executive. It is for the recovery of 336,000 tonnes of coal by opencast mining near Ilkerton, Derbyshire. This will involve removing and later reinstating

McGregors pioneered this patented system of slip form paved, continuously reinforced, profiled concrete track slab in conjunction with the Research

Work for the Borough of Torbay included the erection of 34 homes at Hele Estate Torquay, worth £488,942. This involves demolition of 54 existing houses, erection of the new homes, and includes all auxiliary services, drainage, roads and external works.

A job worth £176,344, for Devon County Council is for adaptations to Plymouth Polytechnic, Hoe Centre, Plymouth.

Finally, a contract worth £126,760 for the Property Services Agency is for an extension to a telephone exchange at Bickham Street, St. Budeaux, Plymouth.

Four wheels extend performance

FROM FRANCE, where it has been used for cutting moss and peat, is a 4-wheel drive backhoe/loader, new addition to construction equipment sold in the UK by J. I. Case, Smith House, Elmwood Avenue, Feltham, Middx. (01-890 8642).

Apart from its uses in the agricultural industry—particularly for ditching and draining in Ireland—the machine is primarily intended for civil engineering work, building sites, small motorway jobs.

line is laid without drips or spread and the quick-drying paint promises to be suitable for use on surfaces as varied as tarmac, concrete, asphalt and timber.

Machine can be wheeled and controlled with one hand and is operated by a single, push-button on the handle.

Accommodation is to be provided for a senior nurse, together with a consulting suite, audiology room, dispensary, treatment and recovery rooms with a special bath and shower. A small office for records will be sited next to the reception and waiting area.

First aid and medical centre

ARCHITECTS Scott Brownrigg and Turner are to produce drawings and specifications for the Property Services Agency for a medical centre for the Ministry of Defence (Navy) at the RNAD Establishment at Gosport, Hampshire.

The building has been designed and will be equipped to carry out routine medical examinations and also to deal with accident cases in the depot.

Its 4-wheel drive is said to give more tractive effort, extra loading capability, better manoeuvrability in tight situations and increased versatility in all ground conditions. This also enables the loader/backhoe to reach work locations that standard 2-wheel drive machines cannot get to, says the maker.

Due to be completed next year, the five storey building will house 217 students in separate flats which will each accommodate nine people.

On the ground floor will be banks and shopping facilities to serve not only the students but also the community, and the project will have open landscaped space around.

Architect for the project is Building Design Partnership of Manchester, who will also be responsible for the civil and structural engineering services and landscape design.

Demarcation made easy

SIMPLE AS using a pair of tailor's scissors to precisely follow a chalked line, is a line marking machine called Lawco Line-It, claims Lawtons of Liverpool, 60, Vauxhall Road, Liverpool L69 3AU (051-227 1212).

Layout of a car park, factory, warehouse, etc., can be initially marked out with chalk, and that is necessary, says the company, is to place the front wheel of the machine on the line and the device will produce swift and accurate marking.

Design advantages ensure the

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Well-earned recognition

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Industrial building project

A START has been made on an industrial building development project at the Fort Industrial Park on 25 acres of land at Fort Dunlop, Birmingham. It is being carried out by Bryant-Samuel Investments, which has taken a 125-year lease from the freeholder Dunlop Holdings. Legal and General Assurance Society is funding the development.

Main contractor is C. Bryant and Son, with C. Bryant Civil Engineering carrying out preparatory work including roads and sewers.

The project calls for 53 factory and warehouse units from 5,000 sq ft upward. The first phase is due for completion in December of this year. Leasing agents are Phoenix Beard and Edwards Bigwood and Bewlay.

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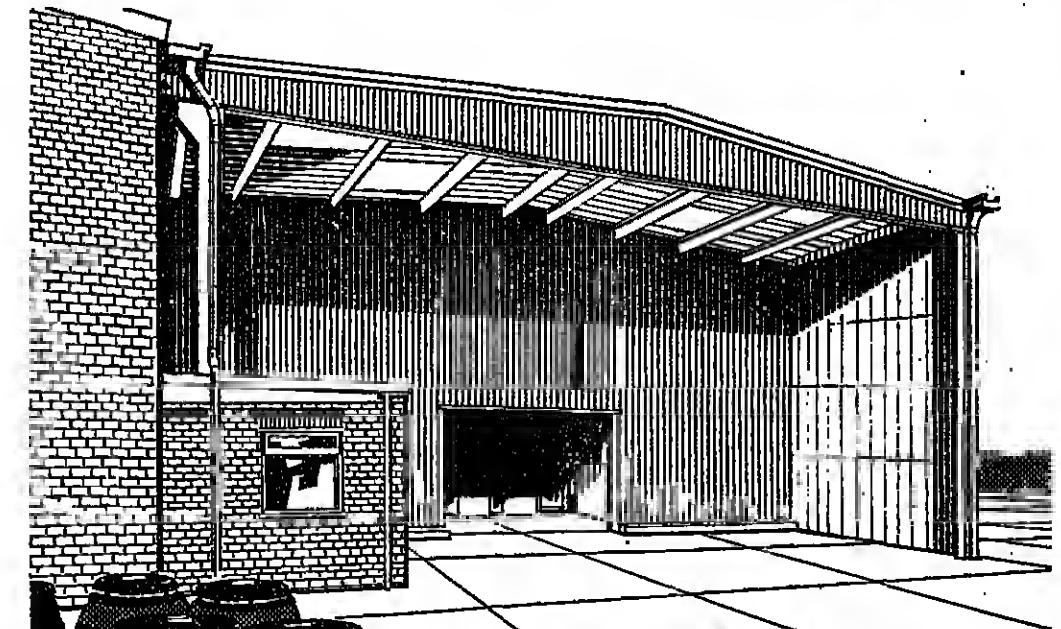
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£1.5m for Harrison

CONTRACTS totalling £1.5m awarded to M. Harrison and Co. (Leeds) include grouped flatlets for the Bradford Metropolitan Council, at a cost of £550,000; phase 2 of St. Joseph's Residential Home, Ardwick, Manchester, for the Little Sisters of the Poor, costing £420,000; and a £320,000 contract to build a Mothers and Childrens Home at Bramley, Leeds, for the Salvation Army Housing Association.

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10in x 16in wide fixed speed Two High Mill.	
6in x 16in x 20in wide four High Mill.	
20in x 30in H/P Two High Reversing Mill.	
10in x 12in wide fixed speed Two High Mill.	0902 42541/2/3
17in x 30in wide fixed speed Two High Mill.	Telex 336414
1970 CUT-TO-LENGTH max. capacity 1,000 mm 2 mm x 7 tonnes coil fully overhauled and in excellent condition.	0902 42541/2/3
Telex 336414	
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3 mm.	0902 42542/3
Telex 336414	
FARMER NORTON 18in WIDE CUT-TO-LENGTH LINE. Max. capacity 1.5in x 10 s.w.g.	0902 42541/2/3
Telex 336414	
RWF TW STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10in x 8in rolls x 75 lb per roll stand. Complete with edging rolls, truck's head, flaking and fixed recoler, air gauging, etc. Variable line speed, 0/750 ft/min and 0/1,500 ft/min.	0902 42541/2/3
Telex 336414	
SLITTING LINES (2) 300 mm and 500 mm capacity.	0902 42541/2/3
Telex 336414	
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SIX BLOCK (22in x 25 h.p.) IN LINE, NON-SLIP VARIABLE SPEED WIRE DRAWING MACHINE by Marshall Richards.	0902 42541/2/3
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2 IS Die M54 WIRE DRAWING MACHINES, 5,000 ft/min with spoolers by Marshall Richards	0902 42541/2/3
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9 DIE 1,750 ft/min SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive 20in. Horizontal Draw Blocks 22in Vertical Collecting Block and 1,000 lb Spooler. (Max. inlet 9 mm finishing down to 1.6 mm copper and aluminium).	0902 42541/2/3
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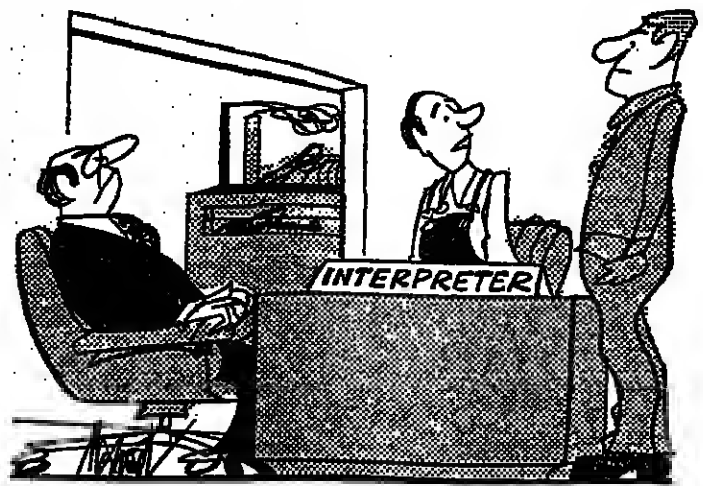
THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How managers should talk directly to employees

BY WILFRED BROWN

MANY MANAGERS have been indignant about Prince Charles's comments on their inability to communicate with their employees. Yet in many companies the management given up direct communication with the employees, relying instead on trade union representatives to convey information to the workforce.



"To cut a long story short, you're fired."

Once management has relinquished direct communication it is hard to regain. Given that it is the role of the representative to protect the interests of those who have elected him, he will quite naturally lay emphasis on the shortcomings of management proposals while playing down the benefits.

There are two ways in which a manager can inform his extended command. One is step-by-step, the manager instructs his immediate subordinates to pass on information to their own subordinates and so on until everyone under his command has been informed.

The second is by communicating directly either by speaking to them, writing to them or displaying a notice. Direct communication is sometimes known as "contraction," which conveys the sense of the manager shrinking the hierarchy by speaking directly to all those employed in it.

Many managers will say that to introduce "contraction" would arouse the hostility of the shop stewards, who would claim it was their responsibility to communicate with the employees in this way. But in yielding to the notion that it is improper for them to communicate directly, managers have endorsed the illogical idea that representatives are responsible for conveying the facts. Yet managers have no authority to insist that the information is conveyed accurately.

This sad state of affairs is caused by confusion between "the communication of facts" and "negotiation."

The following is a précis of a discussion which took place many years ago between union officials and shop stewards and management in an attempt to overcome this confusion.

Shop Stewards—If you talk to our members directly it will be a breach of accepted negotiating practice. We will not allow it.

Manager—I must have some means of ensuring that the facts of the situation reach every employee and also that any questions about my proposals are answered as I would myself. Are you prepared to say to each one of your constituents what I tell you to say?

Shop Stewards—This is a ridiculous suggestion. Shop Stewards will never take instructions of that kind from management.

Manager—Fair enough, I only want to demonstrate the impracticability of managers trying to represent as a means of making their proposals quite clear to all employees. Do you, however, agree that managers must have some available means of informing each and every employee of the facts as he sees them and of any of his specific proposals?

Shop Stewards—We don't understand what all the fuss is about; it has always been practice for management to present proposals to us and for us to decide how much detail is conveyed to our constituents.

The following rules of procedure arose out of that meeting as follows:

1. Managerial plans and proposals can be elucidated directly by managers by writing or speaking directly to employees in their extended commands.

2. Negotiation shall take place only at meetings between managers and representatives.

3. A manager who communicates directly with his extended command to elucidate his proposals is exceeding his authority if he uses the occasion to negotiate or to solicit views on information.

The logic of these simple rules must be got across in every company and plant in Britain where currently the right to contract is denied by Shop Stewards. Unless all employees are fully informed of the facts then confusion and hostility can dominate any situation. Is it not paradoxical that while the TUC has persuaded the Labour Government to enact legislation which insists that managements provide more information to representatives, that those same representatives deny the right of managers to communicate that information to the rank and file?

I suggest that the management of every plant in Britain which employs more than say 500 people should be sending a letter every month to the home of every employee, providing information about such matters as the order book, new plant, new buildings, new products, labour turnover, management proposals for change, new markets, markets in jeopardy because of delivery problems, output figures etc.

Such letters must completely avoid anything which can be interpreted as persuasion or which puts a bias on the facts. Accredited representatives should be invited to add any aspects they wish, which similarly should be confined to facts which they wish to communicate.

For a company employing 1,000 people, the cost of communicating in this way by post would be less than £5,000 pa. The results in terms of a better informed body of employees and the consequent improved relationships might be astounding.

Manager—You have a point. To meet it I am prepared to sign an agreement with you that if I contract either by meeting employees in person or by writing direct to them, I shall restrict what I say to the facts as I see them; I will refuse to do anything in a meeting except answer questions about facts and I will refuse to discuss solutions to problems which are raised. In short, I shall refuse to negotiate.

Shop Stewards—Ah! but we can never be sure that you will stick to such an agreement.

Manager—I will not hold such a meeting unless I am assured that representatives of those I am addressing are present. Then you can observe whether I stick to the rules or not.

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In recommending a small firms loan guarantee scheme, last week's Wilson Committee revealed that it had drawn on experience in Holland. Robert Oakeshott reports on the Dutch bank where it all started

Dutch lead on loan guarantees

FOR SOME months British bankers and Government officials have been locked in a seemingly never-ending debate about whether Britain ought to have a State-backed guarantee system for the financial loans that clearing banks give to small firms. On Friday the issue was given fresh impetus when the Wilson Committee on financial institutions backed the idea of such a scheme. What will happen now is unclear and may well depend on how long the present Government remains in power.

But throughout the debate there have been recurring questions about whether such a scheme is really needed and about who should bear its costs. As a result both the Wilson Committee, and the National Economic Development Council's Roll Committee which studied the problem last year, have looked abroad for reassurance and experience. One country regularly studied is Holland, where the Roll Committee was told by officials that they believed their scheme did make a significant addition to the amount of funds available to small businesses.

Until March 1977 only one Dutch bank, the Nederlandse Middelenbank (NMB), enjoyed the possibility of the Government guaranteeing to cover its lending to the country's small and medium sized companies. The competitor banks objected to the monopoly which was ended when other major Dutch banks were embraced by the guarantee scheme.

NMB's former monopoly was tied to its history. The bank was founded as a result of government initiative in 1927, when it became the consolidator of a number of smaller banks which had catered for the needs of the country's small and medium sized sector. NMB, then owned by the shareholders of its antecedents, agreed to take over outstanding credits advanced by those antecedents amounting to some £1.25m in return for Government guarantees of the credits. From these arrangements evolved during the depression the possibility of Government being prepared to guarantee new NMB loans to small and medium sized business.

The Government changed from being solely a guarantor of certain loans to that of major shareholder as well when in 1942 it converted the loans it was guaranteeing into NMB shares, thus giving it an 80 per cent shareholding. However, this has been diluted over the years to a current 23 per cent as a result of further share issues by NMB and rights issues for which the Government has not subscribed.

The literal translation of NMB's name is the Dutch Bank for the "Middle Classes." But the linguistic point is that certainly between the wars and still to some extent today the term "middle class," as used in Holland and Belgium, refers primarily to small-scale business people and the self-employed. To avoid misunderstanding in the Anglo-Saxon world there is now a strong body of opinion inside the bank which favours a change of name to the Bank for Small and Medium Sized Businesses.

In any event, a bank for small and medium-sized enterprises, is what NMB has been and what it still very much remains. In 1977 more than two-thirds of its lending was to the small and medium-sized sector. Looked at the other way round NMB reckons that it supplies banking services to roughly half of Holland's quarter of a million small and medium-sized businesses.

Its involvement with small businesses has not prevented its own growth, which has been far from sluggish in the post-war period. Its balance sheet total increased from £1.16m to over £1.33bn between 1950 and 1978, making NMB the fourth largest of the Dutch banks.

Though the Government's loan guarantee has existed for NMB for around 50 years, it was not until the post-war period, and particularly from 1950 onwards, that this type of lending business became of really considerable importance. In 1957, for example, as much as 41 per cent of its total lending was covered by government guarantees. In more recent years, though, a fairly rapid decline has taken place in this percentage of the bank's total 1977 lending of £15,879m, not more than £1,747m, or less than 5 per cent, was covered by Government guarantee. One of the chief reasons for this decline, or so the bank argues, is that in many cases of inadequate collateral where it would have previously sought a Government guarantee, it now feels able on the strength of its successful experience, to make a loan on its own account.

Certainly it is hard to dissect from the bank's judgment that the experience of lending under the official credit guarantee arrangements has been a success. Losses have amounted to no more than 0.75 per cent of total guaranteed advances, a figure which is curiously identical with the experience of the rather different credit guarantee companies in West Germany. More important, the loss percentage on NMB's guaranteed loans is well below its current corresponding figure for non-guaranteed loans—which is apparently running at between 1.5 per cent and 2 per cent.

How loan guarantee liabilities arise when a loan goes sour is described by a bank official thus: "If there is a bad debt after money has been lent under the credit guarantee scheme for small and medium-sized business, then it is decided after the event whether the Government or we ourselves should stand the losses."

The understanding is that the bank will only have to stand the loss if it emerges in the post mortem that the bank's judgment in making the loan in the first place was commercially unsound and unreasonable. There have been occasions when that has happened but they have apparently been very few. The arrangement, in other words, seems to work well. It is clearly advantageous to Government that it is thus able to maintain what is essentially an arms length relationship with the whole scheme. For though formal Government approval is required before guaranteed loans are extended above a certain figure, currently £125,000, it is only after a bad debt that there is any real or direct official involvement.

The importance of the guarantee scheme, however, should not be exaggerated either in relation to NMB's activities or as part of the general environment which the Dutch have created for small and medium sized businesses. For one thing the net new amount of NMB's credit guarantee lending, as well as its total of guaranteed lending, is really very small. In 1977 the figure was no more than £1.49m (or, say, £12.5m) of its total guaranteed figure of £1.747m (and total lending of £15,879m).

Very roughly its lending to small and medium sized enterprises can be broken down into three main subdivisions. Distribution enterprises—the retail and wholesale trade—account for perhaps 40 per cent of its lending. A similar percentage goes to small manufacturing, and craft enterprises, with the balance divided between transport, hotels, restaurants and farming.

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مكتبة الأحرار

THE ARTS

CAMDEN FESTIVAL

Mitridate

by MAX LOPPERT

The first of this year's Camden opera was Mozart's Mitridate...

and da capos, snicks in fabled writing, and least forgivably, truncations of the accompanied recitative...

Mitridate, Mozart's first opera seria, was written for Milan, and first given there, with great success, in 1770...

As Pharnaces, Xipharex's scheming brother, Susan Kessler was sympathetic, perhaps a little too much so...

But the quantity of music in which the voice of the "real" Mozart is heard seems to grow larger. It includes not only the immediately remarkable arias and accompanied recitatives...

The first of the two Sunday morning string quartet recitals at the Everyman Cinema was given by the Medici Quartet...

I must not press the claims of the opera, too hard; but in this BBC Concert Orchestra account, buoyantly conducted by György Fischer...

Several years of music seem to have been concentrated. The title is pronounced in a frame, the composer tells us, and the form is related to the Bach partita...

Arts Council shop moves to Long Acre

When the Arts Council Shop opens at 8 Long Acre, WC2 on Monday, April 9 it will offer two and a half times as much space...

The shop will have the most comprehensive range of art exhibition catalogues in the country, including the Arts Council's own exhibitions past and present...

'Bodies' at the Ambassadors

BODIES, by James Saunders, opens at the Ambassadors Theatre on April 23 with previews from April 11.

Last year the play played to capacity audiences during its two-month run at Hampstead Theatre.

Covent Garden

La Fin du Jour by CLEMENT CRISP

It was Kenneth MacMillan weak at the Opera House, with the entire repertory made up of his ballets...

serene cantilena (that Constant Lambert called "a synthetic melody") becomes a long-breathed adagio for Park and Penney each attended by five men...

La Fin du Jour is set to the Ravel G minor piano concerto, a work made in 1931, which the composer at first considered calling Divertissement.

For the last movement, the cast are in evening dress. Park and Penney are now Jean Harlow and Jessie Matthews and Ginger Rogers and those other darlings of the time...

It is not a literal portrait. The work's poetry comes from the skilled juxtaposition of elements of play that we, from the other side of the abyss of the war, know was doomed...

In the first movement of the concerto we see a corps de ballet of marionette figures, who frame a double pas de deux for Merle Park and Julian Hosking...

Here, as throughout the work, Macmillan's invention is prodigious: from the demotic of games, from the photographic images of periodicals of the time, he has wrought a language of remarkable beauty.

The slow movement with its threshold leaves without a serious deterioration in his health—and everyone will come back later, when the consultations must be paid for, or even require visits at home...

Wayne Eagling and Jennifer Penney in 'La Fin du Jour'

Leonard Burt

Orange Tree, Richmond

Doctor Knock by B. A. YOUNG

"Do you tell me you feel well, Sir? It's only because you don't know you're ill." This exchange, reported by Dr. Knock's rich patient Madame Pons...

threshold leaves without a serious deterioration in his health—and everyone will come back later, when the consultations must be paid for, or even require visits at home...

He begins by hiring the town crier to announce that there will be free consultations for two hours every Monday morning.

I don't know why Doctor Knock isn't as steady an item in the repertory theatres as Equus or The Norman Conquest. It is funny, it is wise, it is short, it needs no ambitious scenery (though it calls for three sets one of which contains a veteran car), its cast of 15 can be easily, as effectively, taken by eight or nine players.

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Johnny Cash

Wembley Centre

Johnny Cash by ANTONY THORNCROFT

Johnny Cash was at the Wembley Conference Centre this weekend and very good he was too. Unfortunately his wife, son, assorted cats-in-law (both sides) and probably the man who came to fix the boiler were also on stage and that was not nearly so good...

The start was encouraging. There can be few singers who look as impressive as Johnny Cash, tall, broad and with daunting presence, helped by black high-heeled boots, in fact black most things. His voice, melodic rock gravel, makes platitudes sound sincere and converts the most banal song into an important statement.

encouraged to sing, which is worse. The rest of the family soon emerges and although June Carter offers an attractive contrast, singing country music with an English-Appalachian feel, they quickly become intrusive. It might be in the Grand Ole Opry tradition but it is not in the Johnny Cash tradition.

University Theatre, Manchester

Schweyk in the Second World War

The Contact Theatre Company, resident at this lovely little venue, is now under the direction of Richard Williams, an associate of Richard Eyre during the recent, now vanished golden days at the Nottingham Playhouse. This play always works, although I have yet to see it in English performed with Hans Eisterer's marvellous music. That of Steve McNeff is a poor substitute, with flatly strident drumming for the Hitler/Göring/Goebbels interludes and Eurovision Song Contest tonalities for the songs in the bar, here known by the unlikely name of "The Challice" ("The Flagon" of the standard translation is surely better).

duction has an adept Schweyk in the plump and inventive shape of John Branwell, the bar does not dominate the stage as it should, nor does very much energy rise from the inmates. You would never know, for instance, as Schweyk trudges in search of his last platoon 100 kilometres from Stalingrad on the Russian steppes, that the bar, with its roseate conclusions, is perhaps a fragment of the imagination. The staging is a little cumbersome throughout, with furniture lumped on and off, fluently sacrificed for the odd effective moment, such as the billowing forth of a white sheet in Russia, or the silhouetted company rendition of the "Miserere" (less important than establishing — as Mr. Williams does not — that the drunken chaplain is the platoon leader's brother, or that Schweyk commits an act of positive courage by saving the two old ladies he meets).

being hunched for failing to bring Baloun's meat? Earlier in the day last Thursday, I caught the company's "working guide" to King Lear, intended for parties of school-children with the mighty play on their syllabus. Apart from the considerable irritation of the actors thanking each other all the time for playing a scene or, in some cases, even less, and the somewhat strained attempt of the linking narrative to state the obvious—that you can play complex scenes in different ways—the show was not without its value. Beckett's Endgame and Bond's Lear were invoked not very convincingly as evidence of Shakespeare's influence on modern drama (in the case of the first, as if to prove there is often more vice than virtue in these matters, it was Beckett's nihilism that influenced an academic, Jan Kott, and subsequently a director, Peter Brook, in their interpretations).

RUGBY BY PETER ROBBINS

Crowning tribute to J.P.R. Williams

THE PESSIMISM that seeped out of Wales on the news of the retirement of that great tridentate, Bennett, Edwards and Gerald Davies, was, after all, yet another piece of Welsh cunning. It was pure fancy, but provided the necessary and convenient escape route which, as events turned out, was never needed.

unfair that one man should possess such huge talents, but they have always been used to the full for Wales and the Lions. How reassuring it must be to play in front of him and know that he is there to deal with any crisis. That sort of man gives the whole team confidence. He left the field in the second half, but Griffiths came on and fitted easily into the team. He created the final try for Rees. There was proof that the seams of talent in Wales are not yet worked out.

land's principal line-out forward, rarely caught the ball cleanly. Tapping is still the vogue but it needs to be accurate, otherwise the scrum half has a dreadful time, as Kingston did. Horton presented Roberts with a scrum by senselessly tapping back on England's line. Beaumont also had too many deflections intercepted. Roberts' selection was criticised by many Welsh pundits, but he secured the front of the line-out, and although Scott did reasonably well, the Welsh with Squire and Quinell were more potent at the back.

attack and kicks the ball away when under the slightest pressure. He also held on with an overlap outside, as did Cardus crucially. Cardus has pace and time to develop, but the search continues for centres who can pass the ball quickly and accurately, as well as having the skill to outwit an opponent. It must not be forgotten that the three-quarters' success hinges almost exclusively on the outcome of the forward struggle, and England lost that struggle in every phase. Not so badly that Bennett had no chance at all, but badly enough to ensure that all England's movements were executed under pressure.

SOCCER BY TREVOR BAILEY

Forest half way to another double

NOTTINGHAM FOREST won the League Cup for the second successive year by beating Southampton, whose limitations Lawrie McMenemy had camouflaged so well until Saturday, in an entertaining, yet mistake-littered final.

from the moment Bertles secured the equaliser. The considerable difference in ability between the two teams was there for all to see. It should be remembered that Nottingham Forest are an outstanding side who won the championship last season while Southampton are fighting their way out of the Second Division with an interesting mixture of experience and youth. They are really no more than an average lower half of the table First Division team who lately have been playing above themselves.

It will be very difficult, as his men gave everything on Saturday, and it was not enough. To be perfectly honest, Southampton are not really sufficiently accomplished to justify having the opportunity of two appearances at Wembley in one year. In sharp contrast, Clough's team go to Zurich on Wednesday in the European Cup with a comfortable lead, and the reassuring knowledge that they are already assured of a place in Europe next winter.

Remarkable team Against Southampton, they were without their finest two defenders, Burns and Anderson. In the later stages, they played with the same skill and sparkle which made them so exciting last year. Bertles, a remarkable discovery, led the forward line with dashing style. Woodcock is also back among the goals again, so it is hard to see Trevor Francis, the first Elm player, claiming a regular place in this remarkable team at present. Last year, Forest achieved the double of the League championship and the League cup. This year could see them carry off another—the European and the League Cup.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY

Telephone: 01-235 8000

Monday March 19 1979

Time to agree on the sea

ONE of the world's longest, but least-known international negotiations resumes in Geneva today almost five years since it first officially started.

make a start given that the seabed resources of minerals like nickel, cobalt, copper and manganese, are thought to equal those on land.

Its decision is expected to result in the Hongkong Bank taking control of Marine Midland, National Westminster buying control of National Bank of North America (NBNA) and Standard Chartered Group buying Union Bank of Los Angeles.

Minerals

Most immediately at stake are rules governing virtually every aspect of the use of oceans and the lanes—ranging from the right of innocent passage by submarines through territorial waters, to the exploitation of sea-bed mineral resources.

Their hope is to reach agreement, not only implicitly, on the general principle that the industrialised countries must, at the very least, share the fruits of their financial and technological advantages with the less privileged.

The same goes for the second major outstanding issue, the definition of Continental shelves on which there is an unclear right of rich-unclear-poor line-up.

That is another reason for regarding the Law of the Sea Conference as setting potentially important precedents. The world is too diverse for decisions on such important issues to be taken by a simple majority of United Nations members.

Redeployment in steel

THE STEEL CORPORATION'S decision to phase out iron and steel making at Bilston in Staffordshire and Corby in Northamptonshire marks the beginning of what could be described as a second and more radical round of steel works closures.

Neither Bilston nor Corby featured in the Beswick review. Their closure has become necessary not merely because the Corporation is still incurring very heavy losses—estimated to be about £300m to £350m in the year ending this month—but also because the Corporation will be commissioning substantial and low-cost iron and steel making capacity in the next 12 months at Ravenscraig in Scotland and Redcar on Teesside at a time when the demand for steel still remains very sluggish.

Pragmatic

The Corporation intends to retain its existing steel finishing facilities—billets at Bilston and tubes at Corby—and to supply them with the considerably cheaper steel it will have available at Ravenscraig and Teesside. This is part of its longer term aim of concentrating bulk steel making at these two centres and at South Wales, Sheffield, and that the steel making facilities at Shotton and Consett are also at risk. But the Corporation is wisely pursuing a pragmatic policy on closures and has so far said nothing about its plans apart from Bilston and Corby.

study from Aston University which emphasised the social costs of closure and proposed an alternative programme for retaining steel making by modernising the local furnaces. But it makes no sense to run the large new plants the Corporation has been building elsewhere at a lower capacity in order to support employment at obsolete works.

Manning

The end of steel making at Bilston and Corby, together with the phasing out of steel making at Shotton and Consett, will go only part of the way towards restoring BSC to profitability. Between them, they are responsible for roughly a third of its current level of loss.

So long as the Corporation is running at heavy loss, there will always be a risk of its exports being restricted in markets, such as the U.S., where the Government's financial support for BSC is seen by some competitors as constituting a subsidy.

The Corporation has so far had considerable success in overcoming local opposition to plant closures and its policy of offering to negotiate generous severance terms and as a result of the effort it has been putting into its self-imposed task of attracting new and more secure non-steel employment in the areas affected.

Foreign banks break through in America

BY STEWART FLEMING IN NEW YORK

AMERICA is a country with banking laws designed to prevent even a New York bank opening an office in neighbouring New Jersey, and most states still do not allow foreign banks to open for business.

The New York State Banking Superintendent, Miss Muriel Siebert, has argued that central banks in most other countries would not permit U.S. banks to take over similar-sized institutions in their countries.

The Fed has approved each of the three proposals in spite of regulatory problems (raised most acutely in the Hongkong case) and in spite of the size of the U.S. banks being acquired.

Neither in Congress nor in the country at large is there unanimity on the role foreign banks should play in the U.S. economy, as seen by the controversy preceding the Fed's decision.

The Act went some way towards eliminating what many U.S. bankers and legislators felt to be the unfair advantage which foreign banks in the U.S. had over U.S. banks in a number of areas.

"National treatment" means that foreign banks should be permitted to acquire U.S. banks as long as they fulfil the same sort of requirements as U.S. banks wanting to make domestic takeovers.

with aggregate assets of about \$1bn. It is issues such as these which last month induced the Congress to begin its own examination of U.S. policy on foreign bank takeovers.

The Federal Reserve chairman, Mr G. William Miller, hinted as much when he warned last week against foreign banks trying to take over U.S. banks which do not want to be acquired.

In the meantime, however, the Fed through its decisions has reinforced its policy of permitting foreign bank expansion. As one reads its policy statement on acquisitions and the statements made on each of the three decisions issued on Friday, some of its reasoning becomes clear.

In part it is bending to well-established economic forces. As one official in Washington put it: "If we want the world to continue holding dollars, we have to provide access to our banking system."

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Mr Peter Graham, chief executive of Standard Chartered simply says: "The acquisition of Union Bank gives us a better geographical spread and a profitable base in the fastest growing area of the U.S. To emphasise the point Standard Chartered still has further expansion plans in the growth areas of the world."

There is a lot of sense in these arguments. However, the record of foreign bank acquisitions in the U.S. so far is far from impressive. Lloyds took over the eighth largest bank in California in 1973 and is only now showing a reasonable return.

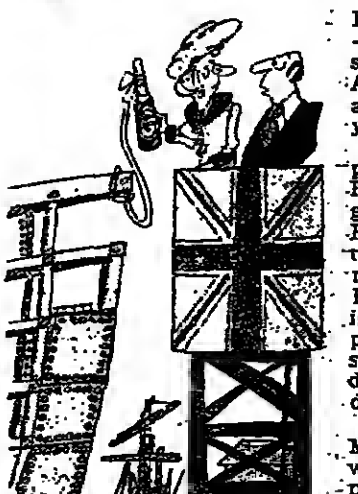
MEN AND MATTERS

Oil politics on the horizon

This may prove to be the week when the Government finally recognises that oil pollution is a dangerous political issue. It could be merely a coincidence that the Department of Trade has announced a seminar for this morning on emergency measures to combat pollution—just as demands are mounting in the Shetlands for the closure of the £800m Sullom Voe terminal.

Two of the Government's sharpest critics on oil pollution will be busy later in the day, in the Lords. They are Lords Ritchie-Calder and Campbell of Croy—both members of the independent Advisory Committee on Oil Pollution of the Sea (ACOPS).

An idealistic young MP named James Callaghan started ACOPS back in 1982, when oil pollution was fairly new to non-subject. Callaghan is still the committee's president, but has to endure some trenchant attacks from it on Britain's recent attitudes towards oil tanker control.



"I'm sorry she's not quite ready—perhaps you should be throwing a cup of tea. Instead."

Sebek, an LSE-trained expert on the law of the sea, told me yesterday that there is great anxiety in the Shetlands about tankers discharging dirty ballast water as they approach Sullom Voe.

The Government was badly jolted last week when five defiant Labour MPs voted for a Conservative backbench amendment to the Merchant Shipping Bill, to make oil companies liable to pay for pollution caused by spillages.

Top values

In another country coming up to a general election, controversy is stirring that will make many

British bankers—and politicians—cognitive. It is about the salaries being earned in little Austria, a country which has had a Socialist government for nine years.

The popular newspapers are pointing to the earnings of Dr Heinrich Treichl, director general of the Creditanstalt Bankverein. He collects before tax about Sch 3m (£110,000)—more than twice the salary of Federal Chancellor Kreisky. It is also claimed by one newspaper that Treichl sits on the supervisory boards of some two dozen companies, which almost doubles his salary.

With eyes on the elections in May, the papers are asking whether Kreisky should get so much less—especially since the State owns 80 per cent of Creditanstalt and he thus represents the major shareholder. Treichl himself has said dryly: "Compared to the comparable credit institutes abroad, it is possible that I am underpaid."

Chancellor Kreisky raised the idea of increasing the top rate of tax in Austria—now 62 per cent. But politicians pay tax on only half their incomes.

Holmes hits town

An American musician-turned-playwright named Paul Giovanni can breathe a sigh of relief. His Conan Doyle pastiche, "The Crucifer of Blood," which opens on Wednesday at the Haymarket Theatre in London, has been given a seal of approval from that formidable body, the Sherlock Holmes Society of Great Britain.

Lancet thrust

My vote for the most undignified utterance of the whole NUPE dispute goes to the latest remark by Dr Tom Griffiths, chairman of Sheffield's Authority South Eastern management team: "Undoubtedly there is risk of death. Some patients will have to stay at home and be treated by their GPs as best they can."

THE SIZE AND PRECEDENTS OF THE DEALS

	Assets \$bn	Combined \$bn
Hongkong and Shanghai Banking	14.8	2.67
+ Marine Midland	11.9	
Standard Chartered	12.2	17.7
+ Union Bancorp	4.5	
National Westminster	36.5	40.3
+ National Bank of North America	3.8	

MAJOR FOREIGN ACQUISITIONS OF U.S. BANKS

	Assets \$bn	Combined \$bn	Approx. cost \$m
1973	Barclays-First National Bank of Westchester	n/a	n/a
1974	Lloyds-First Western Bank and Trust	115	115
1975	European American-Franklin National	125	125
	Bank of Tokyo-Southern California First	n/a	n/a

PENDING DEALS

	Assets \$bn	Combined \$bn	Approx. cost \$m
Hongkong and Shanghai Banking-Marine Midland	260	300	300
National Westminster-National Bank of America	372	372	372
Standard Chartered-Union Bancorp	191	191	191
Barclays-American Credit	82	82	82
Algemeene Bank Nederland-La Salle	75	75	75
Bank of Credit and Commerce International-Financial General Bankshares	75	75	75

The reasons for going in

BY WILLIAM HALL AND MICHAEL LAFFERTY IN LONDON

THE three U.S. bank takeovers approved by the Federal Reserve on Friday will rank among the top 10 foreign acquisitions in the history of British banking.

Each bank has assets of over \$1bn. Except Maroon's case, the decision thus represents a clear departure from a tradition of the past. Usually the Fed has blessed such big foreign bank acquisitions only if the U.S. bank badly needed support and new capital.

Neither in Congress nor in the country at large is there unanimity on the role foreign banks should play in the U.S. economy, as seen by the controversy preceding the Fed's decision.

The Act went some way towards eliminating what many U.S. bankers and legislators felt to be the unfair advantage which foreign banks in the U.S. had over U.S. banks in a number of areas.

with aggregate assets of about \$1bn. It is issues such as these which last month induced the Congress to begin its own examination of U.S. policy on foreign bank takeovers.

The Federal Reserve chairman, Mr G. William Miller, hinted as much when he warned last week against foreign banks trying to take over U.S. banks which do not want to be acquired.

In the meantime, however, the Fed through its decisions has reinforced its policy of permitting foreign bank expansion. As one reads its policy statement on acquisitions and the statements made on each of the three decisions issued on Friday, some of its reasoning becomes clear.

In part it is bending to well-established economic forces. As one official in Washington put it: "If we want the world to continue holding dollars, we have to provide access to our banking system."

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branch network and expand its home loan lending. In each case, the acquisitions, the Fed argues, will stimulate local competition and expand the U.S. banks' ability to compete internationally and service their customers abroad to the benefit of U.S. exports.

The Fed has also made it clear that the U.S. subsidiaries are not to be regarded simply as vehicles giving access to the central bank's lender of last resort facility. It is expanding its supervision of transfers of funds between the U.S. subsidiary of a foreign bank and the parent company abroad. It has thus begun to address in most detail the serious regulatory issues which such international banking mergers raise.

Other British banks will certainly be watching the deals very carefully. Barclays, with its proposed acquisition of the consumer credit concern, American Credit, has chosen a less traditional and less expensive route to acquire U.S. assets and earnings. Midland Bank still has to make a move. The existing partnership in European American is not thought to meet the Midland Board's long-term objectives.

There is a lot of sense in these arguments. However, the record of foreign bank acquisitions in the U.S. so far is far from impressive. Lloyds took over the eighth largest bank in California in 1973 and is only now showing a reasonable return.

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FINANCIAL TIMES SURVEY

Monday March 19 1979

Euromarkets

هكزامن الأهم

Foreign exchange upheavals, rapidly growing international liquidity and rising U.S. interest rates dominated the world capital markets in 1978. But the dollar's stabilisation is leading many observers to hope for a change in trend some time this year.

Market shaped by the dollar

By Nicholas Colchester

MUCH OF the recent character of the international capital market stems from the weakness of its chief currency medium, the U.S. dollar. The growing predominance of floating rate lending, whether through syndicated loans or floating rate notes; the rising proportion of the fixed rate bond market denominated in "strong" currencies; the continuing swing of loan conditions in favour of the borrower—all these different strands can be traced back to the dollar's problem. The market now faces the possibility that the worst of this problem is over and that these consequences will be partly reversed.

The importance of the dollar as a reserve and trading currency puts pressure on monetary authorities around the world to behave in a way

that mirrors the monetary policies of the U.S., or at least the investor's perception of them. For much of last year this perception was of American weakness—the U.S. Administration's unwillingness to face up to its current account deficit and to bring the U.S. money supply under control.

To help the dollar, and to prevent the appreciation of their own currencies from becoming too painful, the strong currency countries—notably West Germany and Switzerland—were forced to expand their own money supply. The result was rising interest rates in the U.S. set against falling or stable interest rates in Switzerland and Germany.

The dollar bond market was weak, and weakening, for the international investor, and ultimately became too expensive for the borrower. The hard-currency markets were strong and stable for the investor, although the rise of the Swiss franc in particular, tended to discourage the borrower.

Plateau

There are already signs this year that this pattern is changing. Despite events in Iran, which have certainly caused a deterioration in the outlook for the U.S. balance of payments, the dollar has stabilised of late. Interest rates in the U.S. are regarded as having reached, if not the top, at least a kind of undulating plateau of indefinite extent.

Consistently, the strong currency countries have mirrored these developments with a tighter grip on money supply—partly to compensate for last year's excesses. Their interest

rates are tending upwards, anti-inflation measures have reassumed priority, and the bond markets there have weakened noticeably.

Behind the shifts in the character of the market caused by the recent currency unrest, two trends have remained apparently immutable—the Euro-currency market, the market in currencies outside their home countries, has continued to grow at an annual rate of 25 per cent, and the total credit extended by the international capital market has continued to expand. Last year this market provided \$65bn in new credits, up from \$60bn the previous year according to the OECD.

Much of this very rapid growth was due to refinancing, on increasingly favourable terms, but even so according to Morgan Guaranty the total of net new bonds and credits rose from \$55bn to \$66bn. The driving force behind this rising need for credit remained balance-of-payment imbalances, for while the clear cut predominance of OPEC surpluses has disappeared there remain deficits and surpluses between industrial countries together with deficits in Eastern Europe and in the developing countries. It is notable, too, that the developing countries are not only financing deficits but also building up their reserves for the future.

On the supply side there has been a substantial flow of dollar funds into the Euromarkets both from the U.S. and from central banks and monetary authorities around the world. These have reflected both the fact that Euro-currency interest rates have been higher than U.S. interest rates, and a desire to diversify

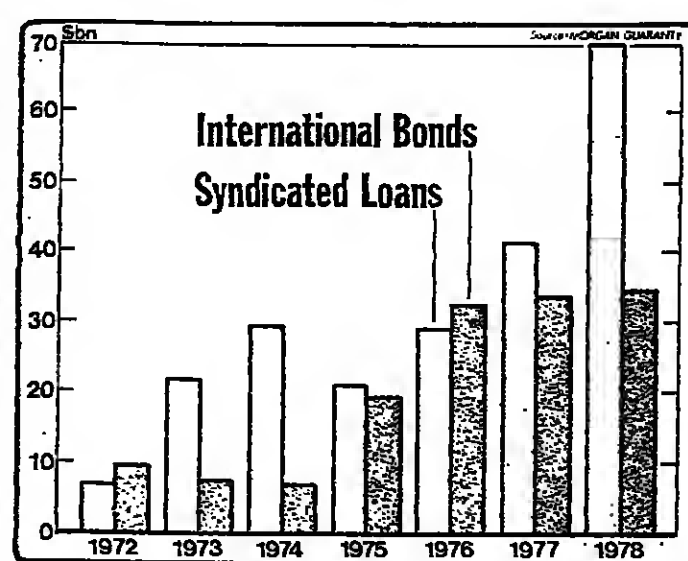
into non-dollar assets. Morgan Guaranty has estimated that central bank deposits with the Euromarket have been responsible for funding one third of the Eurocurrency market's growth since the end of 1973.

Given this demand for loans, and this supply of dollars, the international capital market has settled on the syndicated loan as the easiest way of providing funds under unsettled exchange rate and interest rate conditions. Of the \$100m in new credit arranged last year \$66bn was in the form of syndicated floating rate loans of which all but an insignificant proportion was denominated in dollars.

Why has floating rate lending—predominantly through loans but also through a rising volume of Floating Rate Notes—acquired, for the second time, such a dominant position? The first part of the answer must be that most of the world's borrowers still want to borrow dollars. The dollar remains the most universally accepted medium for payments, and a large part of foreign currency borrowing in other currencies tends to be converted immediately into dollars by the borrower.

A widespread move to diversify assets out of dollars is entirely consistent with a desire to incur dollar liabilities through dollar borrowing. The very sharp currency shifts of the last few years have left borrowers unimpressed by the low interest rates available in strong currencies—the resulting currency exposure has often proved much more expensive than the interest saved.

Then why not fixed rate dollar bonds? The answer shows that despite the continuing demand



for dollar financing the volume of dollar Euro-bonds fell from \$18.5bn to \$14.8bn last year while the quantity of dollar bonds issued for foreigners in the U.S.—yankee bonds—fell marginally as well.

Handsome

Last year cumulative uncertainties over currency exchange rates and yields were too great for many investors and borrowers to enter into long-term fixed-rate commitments. On the borrowers' side there remained a conviction that short-term interest rates of 12 per cent would prove an aberration and that a long-term coupon of 10 per cent would prove a poor deal. Meanwhile the investor has not trusted the dollar and has preferred to invest short-term deposits, and get a handsome return.

In addition, the bond investor, whether private or institutional, has remained choosier about the creditworthiness of the borrower than the syndicated loan market. The fraction of bond issues to non-OECD borrowers has been creeping up, but was still only 17 per cent last year. In contrast, roughly one half of the funds provided by the international capital markets as a whole went to non-OECD borrowers.

The middle way between all these uncertainties has again been provided by the international banks, and they have competed fiercely to shoulder the risks implicit in this service. They have provided the "maturity transformation" needed to turn six-month deposits into loans of up to 15 years. The tricky business of an interest rate commitment has been avoided through the floating rate mechanism. They have rushed in where private investors would fear to tread.

A conspicuous push by the international arms of Japanese banks has recently added to already intense competition between European and U.S. banks. So far there has been no sign of any faltering in the supply of short-term funds to the Euro-dollar market, so there has been nothing to dampen the impact of this competition on the terms of international banks' lending.

Breached

Matrices have been stretched to the point where loans now match the longest Eurobonds. The spread of interest rate over interbank rate has been progressively reduced. In the past year the annual risk premium for the average non-OECD borrower has been halved. The "best" spread for top-quality borrowers has stuck for some months at 1 per cent, but even this resistance level has now been breached.

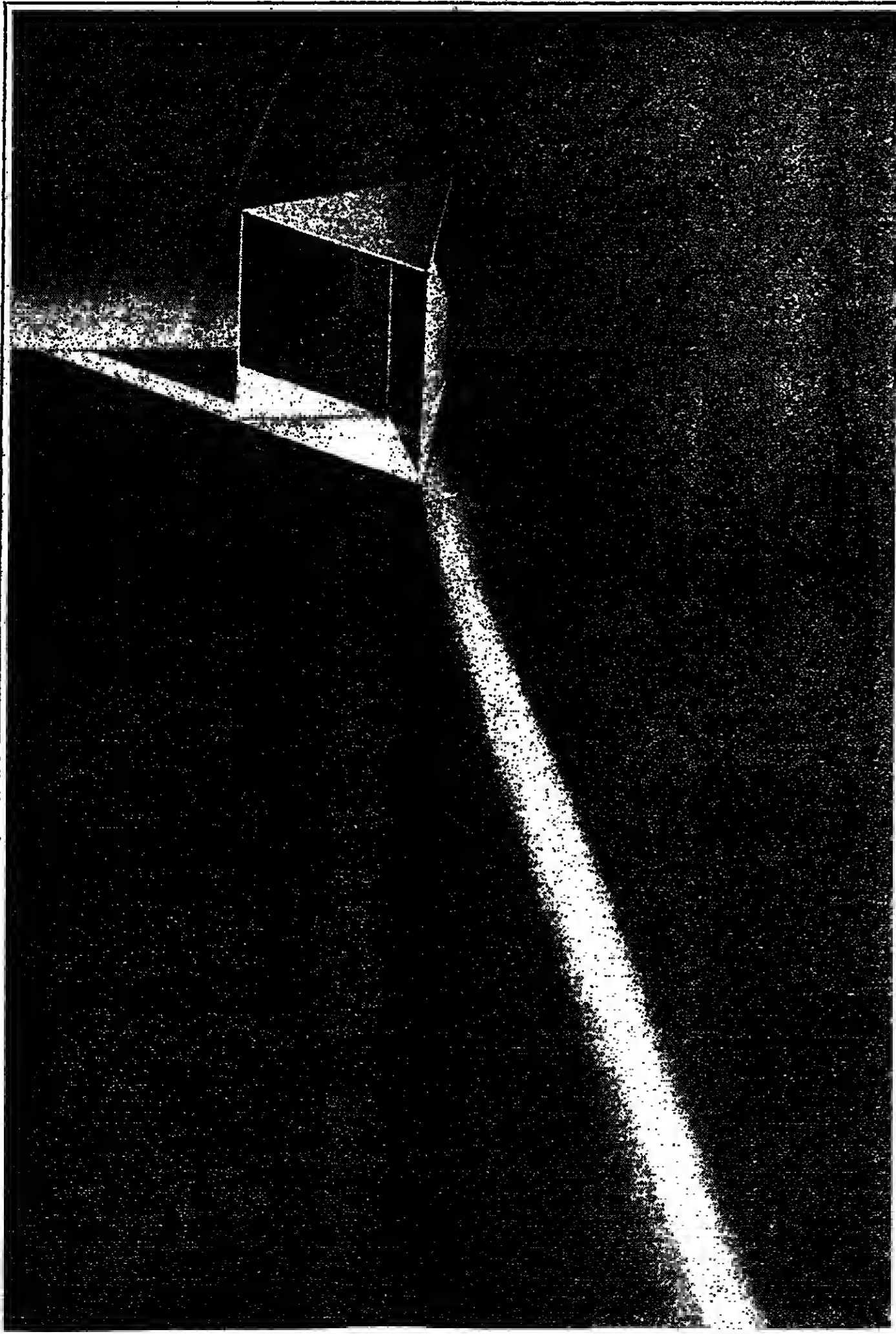
At the same time, despite their long-term commitments to borrowers, banks have often been powerless to prevent a borrower from "refinancing" his loan on more favourable terms. Such refinancing probably accounted for one-fifth of the new syndicated loans extended last year.

The accompanying chart shows that in the background to the syndicated lending spree the issue volume in the international bond market has continued to edge upwards. The dollar problem shifted the emphasis somewhat away from the dollar Eurobond market towards D-Mark bonds, Swiss franc bonds, and, a newcomer, the Japanese "samurai" bond—but already in the first weeks of 1979 this trend has started to reverse.

Despite last year's fall in issue volume, the mechanisms of the Eurodollar bond market continue to mature. A number of major U.S. commercial and investment banks have recently become market makers in the Eurobond market through their London subsidiaries. This can only add to the credibility of this secondary market to Euro-bond investors. In addition, the mounting power and sophistication of international investment institutions in putting the current bond underwriting and distribution system under some pressure. These developments are described elsewhere in this survey.

Over the rest of this year there seems no prospect of a fall in the demand for credit in the international capital markets. Morgan Guaranty reckons on \$40bn in principal repayments on bonds and international loans for a start. China and the EEC will be in the market as borrowers. An improvement in the U.S. position could lessen the payment imbalances between industrialised countries, but the deficit of non-oil developing countries looks set to widen.

A sustained period of highish interest rates and exchange market stability for the dollar could well lead to a more powerful showing by the dollar Eurobond market this year; the recent opening of the dollar bond "window" showed the number of would-be borrowers. A period of calm for the dollar could also lead in time to a reduction of liquidity in the Eurodollar market. The combination of this, and a slight more reticent attitude by international banks, could bring the great refinancing spread reduction party to an end.



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EUROMARKETS II

Flood of world liquidity

LAST WEEK the Caisse Nationale des Telecommunications, a French state agency, announced plans to raise a Euro-dollar loan of \$350m at a cost of 1 per cent over inter-bank rate, rising later to a princely spread of 1/2 per cent.

On the best available index of the adequacy of world liquidity, there is still a superabundance, for the market remains not only remarkably fine, but remarkably undiscriminating. Even borrowers of somewhat questionable standing pay almost invisibly small risk premiums. The over-liquid and apparently unsound market which was tending to frighten the participating bankers a year ago is proving remarkably durable. It is still afloat on a flood of money.

Throughout the runaway growth of world liquidity which has persisted through the 1970s various commentators, equipped with tents and solar topees, have been trying to trace the flow to its source. One large encampment of explorers besieges the U.S. Administration and complains of the current account deficit. Another large group tries to trace the cross transactions in the Euro-dollar market, and emerges brandishing estimated multipliers ranging from simple unity (the market is a pipeline, not a creditor creator) to seven or more.

Surpluses

The encampment in the Middle East, concerned with the investment of OPEC surpluses, is coming to life again, after looking for a time like an abandoned mining centre. Central bankers, as they tour the world making speeches, concede that something must be done. The one place which seems to me sadly neglected in all this activity is the protected territory in which the central bankers themselves are to be found. This is odd, because when a national money supply gets out of control, nobody thinks of blaming a bank customer whose freely-issued bills of exchange are eagerly accepted. Nobody blames a bank which grants loans still less a depositor who likes to keep his funds on overnight account. Attention is immediately turned to monetary policy.

Perhaps because there is no such thing as a world monetary policy or a single world monetary authority, it seems to be assumed that nothing can be done. Individual central banks, buying up huge flows of inter-

nationally mobile capital of one denomination and converting it to another are somehow credited with trying to mop up excess liquidity, or at best as the helpless victims of events. Equally, it seems agreed that the Euro-markets are entirely out of control.

Yet the power of the central banks is quite clear-cut. As an eminent New York banker put it to me: "Our offshore operations are simply branch operations so far as the bank is concerned. Our power to write business is limited by our access to reserves, and the Federal Reserve Board is the only body which can create reserves."

In other words, those who seek an explanation of the excessive growth of dollar liquidity—and here we must include the growth of central bank reserve holdings of dollars, and their counterpart in external holdings of non-dollar currencies—need look little further than the growth of the U.S. monetary base, which has been the subject of so much unfavourable comment.

However, this does not mean that all the blame can be laid at the door of the Fed. Other central banks are not compelled to intervene in the currency markets: they do so voluntarily, no doubt for the best of reasons. Equally, central banks such as the Bundesbank, which impose special regulations to limit the impact of the currency they issue by way of intervention on their domestic money supplies, are no doubt concerned with domestic stability. What is not reasonable is that they should then argue that the migration of this currency in offshore deposits, where liquidity is more readily available and margins finer, is some deplorable event beyond their control. They provoked it.

Finally, it must be added that the reluctance of non-American central banks to permit the growth of official reserve holdings of their currencies exaggerates the picture statistically. Official and near-official monetary authorities are driven instead to make Eurodeposits: the banks which take them duly adjust their portfolios with their own central banks. The counterpart is now not an official reserve holding, but a Euro-dollar deposit owned by a central bank.

One figure will serve to illustrate this picture of what central banks do to create world liquidity. The growth of world currency reserves since 1970, at \$250bn, is of very much the same order of magnitude as the guesstimated growth of the net

size of the Eurocurrency market.

These guesstimates should be read far more sceptically than they usually are, since a large number of important participants do not report their International Settlements. So measuring the Euromarkets is rather like trying to measure the UK's money supply without taking into account the figures from one of the clearing banks. Its deposits from customers will be omitted from the total, but its deposits with reporting banks will not be counted as interbank deposits. The net effect is guesswork.

Questions

If the responsibility of central banks for world liquidity is accepted, we can turn to the really interesting questions: why do they behave as they do, and are they likely to stop?

Two questions seem to me to be dominant here. The first, which has been widely dis-

cussed, is the preference for the small group of OPEC countries which are clearly in long-term surplus for liquid holdings. Their reluctance to use the recycling facilities offered by the International Monetary Fund is probably regrettable, though it is very doubtful if the IMF would have proved as willing as non-American central banks have been to finance a large and persistent U.S. current deficit.

This, however, is pretty much a fringe issue. Far greater sums have been mobilised by the central banks of a small group of industrial countries, two in large current surplus, and one with an embarrassingly strong exchange rate. Interventions in the exchange markets by Germany, Japan and Switzerland have accounted for a third of the total growth of world currency reserves since 1970.

Perhaps fairly, the Swiss can claim to be victims of their own myth—and of their own banking laws. A huge demand for Swiss franc holdings is unhappily a

good indicator of turbulence in the world, and is only to be expected in a period when some of the world's least secure regimes have become unimaginably rich.

Germany and Japan, on the other hand, have been highly active participants in the creation of money. The motive can be regarded as a desire to remain competitive, a desire to cede, an adjustment which the U.S. was determined to achieve, or simply a wish to maintain activity by financing net exports rather than by financing public spending: it makes very little difference.

Deliberately or not, they have enabled the U.S. to continue financing both a large current deficit and a large capital outflow, for their massive purchases of U.S. Treasury obligations have kept official borrowing in the New York markets to modest levels. Had they intervened on a smaller scale, U.S. interest rates would have been higher. U.S. credit growth checked earlier, and balance—

perhaps at a depressed level of activity—would have been restored.

For a time it appeared that the Carter programme of November 1 1978 marked a watershed. At last the U.S. authorities themselves were concerned to stabilise the dollar in good earnest—by pushing up interest rates in New York. Heavy intervention, and a further large injection of world liquidity, was required in the early weeks to establish credibility, but by January of this year the dollar was actually commercially strong enough to reverse the tide of intervention. Then came Iran.

The conventional view at the moment appears to be that the events in Iran, and the enormous rise in the price of oil which has followed, have condemned the West to a replay of 1974 on a smaller scale, with an enlarged U.S. deficit, further Euro-market intermediation of OPEC surpluses, and a continued growth or excessive liquidity.

However, another scenario

seems possible. The U.S. current deficit was financed by borrowing by U.S. citizens: it is now widely thought that within a few months, their hunger for credit will be partly satiated, even if the Fed does not tighten its policies further. If this is so, then the U.S. is as capable of achieving balance or surplus despite large oil imports as is Germany or Japan.

Complete

It should also be noted that if the adjustment of the major exchange rates is now largely complete, as the markets have been suggesting—for what is remarkable in the recent turmoil is how small the changes have been—then current balances could change dramatically. In volume terms, for example, Japanese exports have been falling and imports rising for some time, trends masked by the still bigger changes in the exchange rate and the terms of trade. This is the J-curve effect: if it is now removed, money balances could

readily change in an unexpected way.

In 1974 the appearance of large OPEC surpluses combined with a vast move out of the dollar to produce an explosion of world liquidity. This time round, the dollar flows could be relatively small, or even begin to move in the opposite direction (though probably not until the closing weeks of the year). A poor U.S. price performance need not prevent this change: indeed, realistic energy pricing, which would produce alarming inflation figures, would do more than anything to check the excess consumption which has caused the U.S. deficit.

Broadly, the story of the past four years is of the export, or willing import, of U.S. monetary inflation. This time round, U.S. inflation seems likely to stay at home. Unless the market panics afresh at the sight of the respite price performance, the impact on world liquidity and world inflation could be much less than in recent years.

Anthony Harris

Interbank market under attack

THE FIGURES for autumn 1978 from the Bank for International Settlements show no sign that the growth of the Eurocurrency market is slackening. At the end of September banks in the world's significant banking centres had liabilities in currencies other than those native to each centre of \$802bn equivalent. This implies a compound rate of growth since the beginning of this decade of about 25 per cent per annum.

This rapid rate of growth has been the object of suspicion since its origins 13 years ago. There has been recurring discussion of the need to "control the Euromarkets." This year has produced a renewed tendency to talk in this way. Last year saw great volatility in the foreign exchange markets. The primary victims of this volatility were the U.S. dollar, on the downside, and the German Mark and Swiss franc on the upside. Hence it was largely from West Germany and the U.S. that renewed mutterings about the need to curb "Stateless money" were to be heard. The figure of \$802bn represents the gross size of the market—a great deal of which consists of banks depositing

currencies with other banks. Even the "net" figure of about \$465bn, includes substantial amounts contributed or borrowed by banks as final users or original sources of funds. The amount of money deposited and drawn from the Euromarkets by non-banks is hard to ascertain but is probably less than half the net figure.

Reconciled

The large interbank element of the Eurocurrency market reflects this market's function as a sort of melting pot where the current rates of exchange, expectations about exchange rate movements, forward exchange rates, and the interest rates on various currencies are all reconciled one with another. It is the rapidity with which this occurs in the Eurocurrency market which leaves some participating governments with the feeling that they have lost control of their own monetary environment. In this sense the Eurocurrency market is a convenient whipping boy for the difficult fact that rapid communications have made all the world's sophisticated money markets interdependent.

The Eurocurrency market commonly faces four charges. The first is that it involves a pyramid of credit which has added greatly to the world's spending power and thus to the prospect of inflation. The second is that it has increased the funds available for currency speculation and hence added to exchange rate instability. The third is that because it is a market both unregulated and highly competitive, it allows and encourages banks to make imprudent loans and to fund them imprudently. Finally there is the feeling that the Eurocurrency markets have short-circuited "official sources of finance" in making loans to developing countries with too few strings attached.

These charges break down broadly into two categories. First, those which are concerned with the alleged macro-economic impact of Eurocurrency markets raise the question whether the sort of controls with which central banks regulate their domestic banking markets should be extended in some way to embrace international bank business. Secondly, there are those which are concerned with prudence—both of banks and of borrowers. These imply a need for transparency in the markets and for some sort of policing system to prevent bad banks from making bad loans to bad borrowers.

transparency and supervision—in the softer sense of "having an overview." Since 1974, when in the wake of the Herstatt bank disaster, central banks declared themselves to be lenders of last resort to banks and their overseas operations, there has been a general move by these central banks to keep more closely in touch with the international loan business for which they are ultimately liable.

In 1977 the U.S. banking authorities, led by the Fed, established a system to collate information on the international exposure of all U.S. banks every six months. In 1974 the Bank of England sought "comfort letters" from banks abroad which owned part or all of banks operating in the City of London. Reciprocally it has made sure that it is fully informed of the overseas operations of British banks. It would not, for instance, allow a British bank to open in a banking centre that impeded the flow of information about its activities there back to the Bank of England.

Obstacles The German banking authorities have had to negotiate hard to get round such obstacles in relation to Luxembourg—the centre of the Eurocurrency activities of the German banks. They are now receiving more information than before about

the exposure of German banks abroad.

There have also been international measures to make sure that banks do not escape supervision by somebody. The Cooke Committee, chaired by Peter Cooke of the Bank of England, was established in 1974. Its secretariat is provided by the Bank for International Settlements. It has sought to lay down guidelines for the supervision of different types of banking operations—branches, subsidiaries and consortium banks, defining where the onus should be on the parent bank and where on the authorities of the centre in which the offshoot is operating.

The stress at the moment is upon development of control of international banks via the parent—an approach which ties in well with the management information needed by parent banks. But the Bank of England has also methodically developed its overview of the operations of banks of all nationalities, in the City, discussing their operations with their managements and receiving detailed reports of their positions in the foreign exchange and Euro-currency markets. This "belt and braces" approach to bank supervision is particularly apt for consortium banks where parental involvement in their activities is by definition somewhat diluted.

But while "transparency" is widely conceded to be desirable

in the interest of prudential supervision, there is no agreement at all on the alleged macro-economic evils of the Eurocurrency market. The most testing question which critics have to answer is: Which of the banking phenomena of this decade—the rapid build-up of bank loans to fund balance of payment imbalances, the rapid global increase in money supply, the rise of the forward exchange markets to meet the challenge of floating rates, the instability of currencies—would not have occurred had the Eurocurrency market been somehow prevented from emerging?

The case for the prosecution is thinly supported at the moment. The bulk of academic opinion currently rejects the thesis that the global spending power has been greatly augmented by a massive creation of credit in the Euromarkets. It is only marginally inclined to believe that the funds available for speculation have been increased through the Euro-market. It is perhaps more sympathetic to the notion that the Euromarkets mobilise funds swiftly against what are popularly thought to be mistaken economic and monetary policies, and to over-react in so doing. But the problem here is probably more due to the speed of modern communications than to a lack of reserve requirements on foreign currency liabilities.

Nicholas Colchester



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Rembrandt, Self-portrait (1631), Rijksmuseum, Amsterdam.

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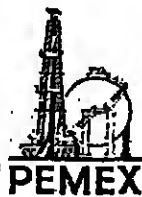
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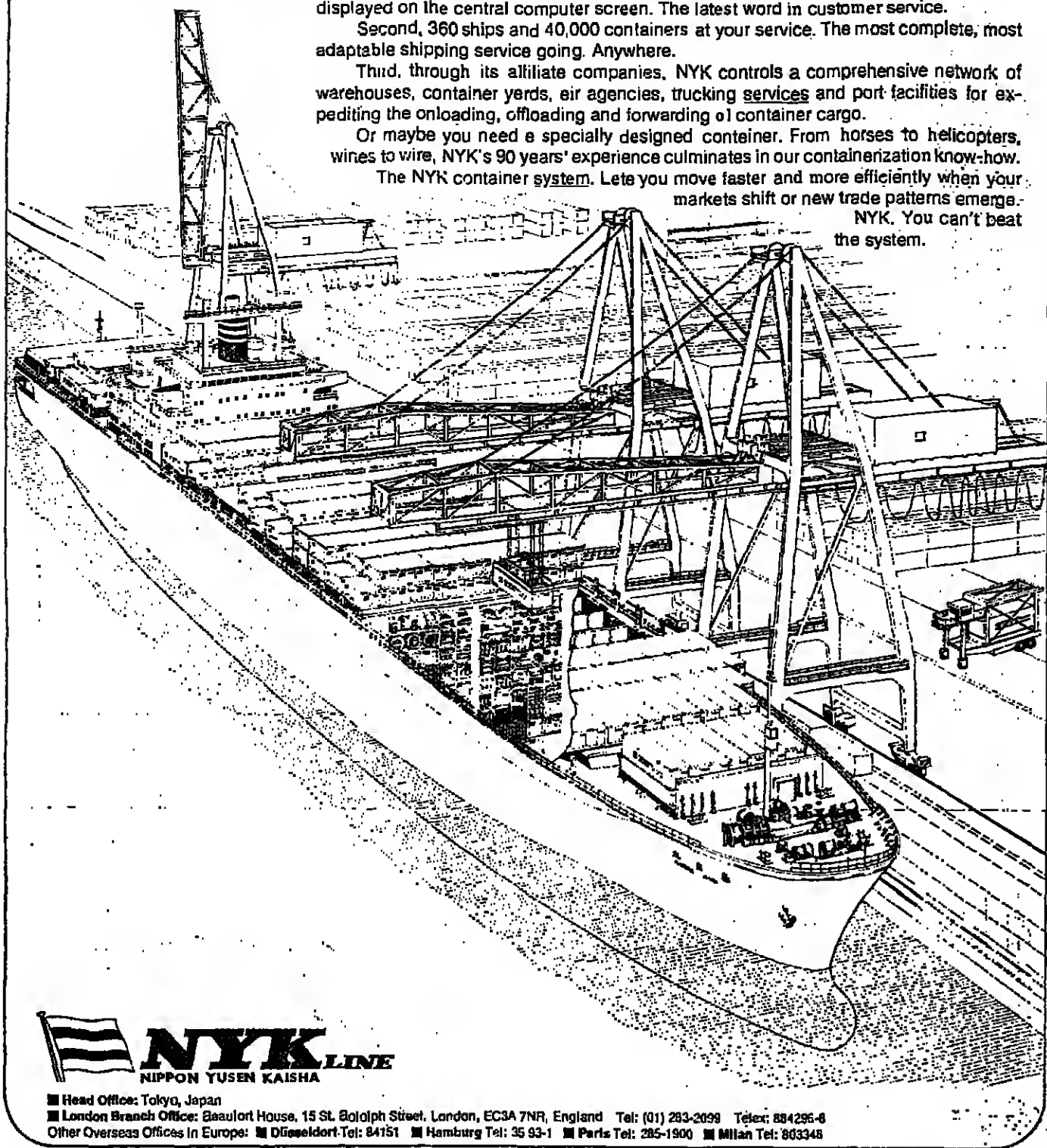
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Syndicated loans cause concern

THE SYNDICATED Eurocurrency loan technique reached its full flowering in the mid-1970s.

Since then this form of lending has proved an addictive bloom for many banks, and there is probably no other area of world banking—both domestic and international—which attracts such a constant level of criticism and examination.

The reasons for such discussion are not hard to find. Senior central bankers in recent months have voiced their concern over the dangers to banks represented by large-scale international lending at virtually negligible profit margins.

The OECD has just released data showing the extent of last year's pressures on bank's Euro-market lending.

By the end of the year, the average spread paid by the leading industrial (OECD) nations was down to 0.89 per cent over LIBOR, compared with 0.84 in 1977.

More dramatically, the developing world average fell to 1.03 per cent from 1.46 in the same period, while Comecon countries paid 0.73 compared with 1.05 per cent.

The general average retreated to 0.87 per cent from 1.17 per cent.

Banks are clearly now missing the heady days of the mid-1970s, when loan business could be written at up to 2 per cent for a wide range of borrowers.

At what point syndicated lending becomes unprofitable is difficult to assess. It is complicated by the fact that banks will continue to lend to a prime client at a nominal loss, providing a net profit accrues from all the other fees and deposits won from the borrower concerned.

Ratio

A typical U.S. bank, for instance, needs to obtain a loan spread of some 0.5 per cent if it is to produce a miserly 16 per cent return on capital on an average overseas loan. If the required return is raised to 20 per cent, the spread involved rises to 0.73 per cent.

If the existing asset/capital ratio is lengthened to a 35-to-1 ratio, a standard more usual in Continental Europe than the U.S., the spread needed for a 16 per cent return is reduced to 0.4 per cent.

Unhappily, the front-end fee structure on syndicated loans, often a useful device for protecting profitability, has also been under pressure. The average is now heading below the 3 per cent mark, where, on an eight-year loan, it is barely providing an extra 0.1 per cent of spread. The Euromarkets are haunted by the spectre of Iran, which is delinquent on a fair proportion of its syndicated loans. This has focused attention in recent

months among the banks on country risk analysis—in other words the sort of safeguards that should be built into loans as well as the increased economic, financial and political surveillance of a borrower necessary before extending credit.

Such safeguards range from stricter legal documentation in loan agreements, to protect the banks, to the sort of compensation that can be built into the overall charge on the borrower, reflecting the risk element accruing to the bank.

In fact, the cost of risk appears not to be based on any universal standard, and banks tend to approach the question from their own individual standpoints.

However, Henry Wallich, of the U.S. Federal Reserve, suggested last year that the losses on foreign loans had averaged one-third of 1 per cent of the total. This suggests an approximate risk-cost for international lending.

But the banks are still faced with great temptations. Syndicated lending in recent years has represented the most prestigious part of their international business, and the kudos of handling a large deal for a quality borrower are keenly sought.

The "league tables" of Euro-market positions are closely scrutinised, and banks jealously watch each others' progress up or down the management rankings. By last year, syndicated lending had ballooned in volume to some \$65bn-\$75bn.

But the real impetus to syndicated loans business started in the early 1970s, reflecting the need to finance many developing and advanced countries' balance of payments deficits in the wake of the oil crisis. That financing task was largely left to the international banking system, and an effective method of widely distributing this financing burden among banking institutions became an urgent need.

On many occasions, it was not unusual to see some hundreds of banks, as managers, co-managers and outright sub-participants, brought into the major syndication operations.

It is reckoned the high-water mark was reached in 1976, when more than 500 banks from almost every quarter of the globe participated in a syndication arranged by Lloyds Bank International for Mexico, then rapidly winning back the confidence of international banks as the full scale of its new oil potential became realised. At the same time, it is probably true that the full implications of the major structural changes forced on the industrial world's commercial banking systems, stemming from developments in the mid-1970s, is still

not entirely comprehended.

In the words of one senior Euro-market banker, "The banks were subject to a form of 'forced growth' in the past decade in order to meet the extensive demands on them. For many, the pursuit of international business has become addictive, and brought lasting changes to their organisation."

By the same token, such change within the banks themselves is almost synonymous for alterations in the structure of the world-wide Eurocurrency network itself, which reached a gross size of more than \$500bn towards the end of 1978.

Many different economic, monetary and financial market factors are at play. One dominating theme, however, is that the pattern of the sharp global payments imbalances of the 1970s has altered radically. Many industrial countries, excepting the U.S., have improved their current account deficits.

Sluggish

Similarly, much of the developing world has improved its position, to the extent that non-oil LDCs became a net supplier of funds to the international banks during 1978. The slow growth of Western industrial economies has contributed to the picture, in that many banks turned to overseas business for growth at a time of sluggish domestic demand for credit.

The net result has been a surfeit of international liquidity—a position that an increasing sophisticated community of regular borrowing nations and institutions has not been slow to exploit.

Last year's exceptionally heavy syndicated lending total of some \$70bn disguised a massive amount of renegotiated or refinanced credits, as borrowers sought to improve both the interest margins and maturities on their past debt operations. Perhaps as much as a quarter of total volume was attributable to renegotiated loans.

The trend that developed in 1978 and the early part of this year—and which seems to be fundamentally undermining the concept of syndicated lending—is the eagerness of many banks to extend large unilateral credits to borrowers, where normally a syndicated loan would have been arranged.

Bankers claim that it is not usual to see sums of up to \$50m being extended to sovereign borrowers by a single bank, perhaps accompanied by one or two other banks with which it has a close relationship.

Latin America, in particular, has been a target for such unilateral lending. The U.S. banks, despite professing their public opposition to low-margin

lending, have shared in this development.

Another area has been that of corporate lending, where multinational groups have been offered substantial low-margin loans by single banks.

Bankers suggest that, in the opening months of 1979, banks acting alone, or with a small group of associates, have extended enough private deals to approach the volume in the conventional publicly syndicated Euromarkets.

Thus, the syndicated loan mechanism in a sense is in danger of becoming redundant, except for the exceptionally large "jumbo" credit or for highly-indebted borrowers where a large amount of banks must be canvassed in order to get sufficient support for the loan involved.

At the beginning of this year, as banks were beginning to prepare for Euro-market policies for 1979, the views for the lending outlook ranged from the cautiously optimistic to the outright pessimistic.

One gloomy theory is that, such is the competition for assets in the international banking system, that lending spreads will remain extremely low by historic standards. The most favoured group of borrowers will continue to improve their position, and banks will be forced to continue lending at the very edge of profitability—i.e. from 1/2 percentage points upwards.

However, most believe that the Euromarkets will remain sensitive to broad cyclical movements in world economic conditions, and credit costs will respond to these changes.

The current increase in oil prices again threatens to create payments imbalances in much of the industrial and developing world, and will result in increased financing needs in the Euromarkets.

Allied to this, a slowing U.S. economy may rebound on the developing nations, which are dependent on the industrial world for their exports of commodities and metals. This raises the prospect of another surge of strong credit demand.

Thirdly, the high absolute level of interest rates on dollars is aggravating debt servicing costs, and a country like Brazil faces finding some billions of dollars over the course of this year if U.S. rates remain high.

A combination of such developments may, during this year, create some tangible resistance among banks to continued pressure to lower their spread levels and lengthen maturities.

But no-one is prepared to forecast the strength or duration of such a shift in terms in favour of the lending banks.

John Evans

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Bond market feels the impact of institutions

THE INTERNATIONAL bond markets are in the throes of the same type of discomforts which have bedevilled some other big world securities markets in recent years.

The reason? An increasing domination of the markets by big institutional investors such as insurance companies, pension funds, central banks and the like. In recent years, the small, private investor has been increasingly supplanted by the large institution—and the bond markets are still grappling with the fundamental changes this is bringing, both in primary and secondary operations.

In fact, many bond analysts are drawing a parallel between current developments in bond markets and the type of internal pressures, including commission levels, encountered by the U.S. securities industry in the past decade, stemming from a similar concentration on servicing the requirements of big institutional investors.

The archetypal small investor in the Eurobond market has often been characterised as the "Belgian dentist"—in other words, the private European saver who had represented an important core of the Eurobond market since its establishment in 1963, perhaps accounting for 90 per cent of market absorption at that time.

Some analysts believe that institutional buying overtook retail investors towards the end of 1977, after gaining momentum from 1975 onwards. Mr. Ian Kerr, of Kidder Peabody, recently said: "I believe that institutional orders for a prime name new bond issue are now probably in the region of 60 per cent of the total."

Three-quarters of all outstanding Eurobonds are still held by private clients, with institutions accounting for the remainder. But this estimate

applies to the historic overall ownership of the market, and disguises more recent trends towards institutional activity.

The impact of the institutions is being felt in a variety of areas, from new issuing activity where institutions have almost become a recognised force to the pre-placement of bonds, to secondary trading where bond houses are carefully cultivating their relations with central banks and other large groups.

The pressures over the last few months towards currency diversification, prompted by the weakening dollar, have meant that the typical central bank has started to look at a much wider range of currency options in bonds.

Among the active central banks are considered to be those in Venezuela, Brazil, Uruguay, Ecuador, Malaysia, India, Nigeria and Indonesia, as well as the monetary authorities in the Middle East and other areas.

One of the most recent tendencies caused by such institutional penetration in bonds has been the apparent concentration of the primary Eurobond market in the hands of larger banks, with a move away from the traditional practice of employing broadly-based underwriting and selling groups.

Squeezed

The smaller banks participating in large underwriting and selling groups complain that they are being squeezed by the tendency for enlarged management groups to be formed, which themselves handle all underwriting and placement responsibilities.

This newer form of grouping has been used for the syndication and underwriting of several recent dollar issues, including the *Guuld*, General Telephone and Electronics, Sears Roebuck, Finland and Pepsico bonds.

This development in primary business, involving the larger banks with extensive placing power, is made possible because of the growth of institutional investment. The smaller banks, with placing ability limited to a relatively small group of investors, become much less important for primary business.

Such larger groups also provide other benefits for lead managers. It allows them to retain a greater proportion of the commission fees and to check on the eventual placement of the bond more closely—potentially helping to reduce the danger of a "dumping" of the issue on secondary markets.

Such overall trends shift the Eurobond along lines already taken by the domestic U.S. bond markets. In fact, another U.S. practice—in secondary trading—is now being fostered in the Eurobond market.

Two U.S. brokerage houses are providing what the Eurobond market is termed as the function of a "broker's broker."

The firm of Purcell Graham, which has recently been joined in Europe by Mabon Nugent, is acting as a pure broker in Eurobonds. Their operations involve the broker dealing between the market-makers, matching buyers and sellers. The brokers do not deal with end-investors at any stage.

The Eurobond market is still arguing about the benefits of such a brokerage service.

Those who support the innovation point out that a brokerage system of trading should add to market stability. Under present methods of trading, an attempt by a market-maker to unload a large block of stock can be rapidly heard of throughout the market, sending the price of the stock concerned down.

The more confidential system of brokerage trading means that stock sales and purchases in size can be executed without

market disruption. The dealing houses may also be able to concentrate their main efforts more fully on servicing their clients, the investors.

However, those detractors of the brokerage system claim that this method has not added much to the depth of markets in New York, particularly the Yankee bond market. At times of market stress, the Yankee market often rapidly becomes "bid only" or "offered only" making dealing very difficult despite the existence of brokers.

Dictate

What ultimately may determine the success of the brokerage system, and also dictate future secondary trading techniques, is the advent of computerised trading systems in the Eurobond markets, analysts point out.

The Eurex computer-assisted trading and information system is due to come into operation before the end of this June, and now has 50 committed subscribers.

The system works by transmitting buy or sell orders to the market-makers in the securities concerned, and then computer-selecting the best deal. This can be cleared for the customer subsequently through either the Cedel or Euroclear bond-clearing systems.

Some major market-makers, such as Credit Suisse First Boston and Bankers Trust are now committed to Eurex, according to the system's officials.

However, opposition in Eurex has become entrenched, particularly in the London markets. Many houses complain that a computer system is dehumanised, and removes the direct person-to-person contact that is necessary.

J.E.

German and Japanese lending challenge

THE YEAR 1978 is now regarded as a potential watershed period for medium-term Eurocurrency lending and bond markets on two important counts.

The American banks tended to be displaced from their dominant market position by the aggressive drive for international loan business from the Japanese banks and, to a lesser extent, banks in Germany, Britain and elsewhere.

Secondly, the chronic weakness of the dollar during most of 1978 created fresh impetus for currency diversification in international capital market transactions.

These developments occurred against a fundamental shift in the direction of the Euro-market borrowing itself. To a large extent, the markets moved away from the task which had dominated much of the 1970s, the financing of balance of payments deficits among the oil-consuming nations.

Instead, the Third World enjoyed much better access to the markets, and many banks rapidly shifted their priorities to funding the development programmes among the non-industrial nations.

Despite the unsettled currency conditions prevailing for virtually all of 1978, the position of the dollar as the leading currency for international bank credits was not seriously threatened.

According to estimates by the Organisation for Economic Co-operation and Development (OECD), international syndicated credits completed during 1978 amounted to \$2.6bn equivalent, barely 4 per cent of the total \$6bn raised.

The Deutsche-Mark and yen accounted for the major part of this amount. However, a rather greater role was probably taken by non-dollar currencies in connection with the final utilisation of funds by the borrower. Multi-currency issues allowing draw-downs in their currencies have become a

more usual practice, although the confidentiality usually surrounding such activation of the borrowing makes it difficult to identify exact trends.

However, the international bond markets gave a clear picture of currency diversification, in part due to the investment strategies of such large secondary market participants as Central Banks. The dollar's share of total new international issues was cut to 50 per cent in 1978 versus 65 per cent in 1977, the Deutsche-Mark upped its slice to 40 from 23 per cent.

Rapid

The shift of official central bank reserves into a much wider range of currencies will ultimately be an important determinant of the complexion of the Eurocurrency markets themselves.

The rapid expansion of the Euromarkets in recent years, to a gross total of over \$800bn towards the end of 1978, has been in part due to the capital arrivals erected by countries like Switzerland and Japan to fend off flows of hot money, and in turn reflects the extent of the U.S. balance of payments deficit.

By end-1978, total international reserves had reached some \$280bn, excluding the holdings of Communist countries as well as certain additional OPEC assets.

For medium-term Euro-lending any trend towards greater use of the yen and D-Mark will not exactly parallel the historic experience of the dollar, by far the largest single component of the Eurocurrency interbank market.

For instance, the pool of Euro-yen available outside Japan is estimated at little more than \$8bn equivalent. Any large-scale use of the yen in capital market transactions will clearly have to be supplemented by domestic sources of the currency in Japan. And this begs the old question

—to what extent do the Japanese authorities feel that the yen can take on a reserve currency role?

Additionally for many borrowers in the medium-market a switch from the dollar would not necessarily make sense.

Borrowing in strong currencies rather than the dollar may be ultimately more expensive than a conventional dollar operation, despite the generally lower interest rates available on D-marks, Swiss francs and other strong units. Thus, there may be built-in resistance to a switch from the U.S. currency, despite a large supply of other currency alternatives.

The Japanese challenge in the Euromarkets last year has been regarded by many as an important factor in the sharp decline in lending margins. Outraged bankers in Europe were even heard to charge that Japanese banks were directly tapping the country's expanding currency reserves in order to engage in cheap lending operations in dollars, in order to pave the way for increased penetration of Japan's exports in world markets.

This is a clear over-statement. But it is true that the liquidity expansion in the Euromarkets last year stemmed from the excess of dollars available worldwide stemming from the U.S. balance of payments and the simultaneous rush out of the dollar.

In addition, international liquidity is expected to tighten this year because of a reduced level of central bank intervention to support the dollar (although the increased payments deficits anticipated in the wake of new OPEC price increases tend to blur the outlook somewhat).

By the end of 1978, Bank of Tokyo, Industrial Bank of Japan, and the Tokai, Sanwa and Fuji Banks were all well up in the rankings of the top 20 syndicated loan managers.

There are reasonable grounds to expect a moderation in such lending activity, particularly after Japanese Ministry of

Finance warnings in late 1978 to the Japanese banks about the pace of their lending. Accurate estimates are not available, but dollar loans by Japanese banks are believed to have doubled on an outstanding basis to nearly \$18bn to \$20bn in 1978.

The Japanese banks' need to draw in medium-term deposits to support their lending have imposed considerable strains on the international money markets in the last six months.

Under the original official regulations imposed on Japanese banks, the banks were required to match new medium-term lending with deposits which were not due to mature for at least a year and a day. The fact that the banks had to meet the matching requirements only on an occasional basis in a scramble for long-term funds last November to December.

This pressure—felt especially in the Eurodollar floating rate certificate of deposit market—has subsequently eased.

Additionally, the Japanese authorities, in year-end rulings, changed the regulations in two basic areas in order to prevent similar strains in the future. The banks must now report their matched positions on a monthly basis, and they have to match at least 60 per cent of the total outstanding medium-term loans, rather than 100 per cent of new lending.

In essence, the Japanese banks, like most of their international counterparts, are faced with the erosion of profitability in low-margin syndicated lending at present rates.

Japanese banks are funding themselves at between a quarter and three-eighths of a point above the six-month Euro-dollar interbank rate, to which the rates they lend on syndicated loans are also tied. For prime quality borrowers, the profit margin has virtually disappeared.

The year 1978 also saw the continuation of the expanding role taken by the German banks as significant managers of syndicated loans.

This had been an area of business which they had long resisted because of an aversion towards the use of floating interest rates in long-term financing.

By last year, seven of the ten German banks with international aspirations owed between 25 and 40 per cent of their profits and balance sheet assets to international operations.

Potentially, the German banks could wield more muscle-power than the Japanese. In contrast to banks in the U.S., Japan, Canada and the UK, they are universal banking—combining investment banking business and large-scale commercial banking.

Now that the Bundesbank has assembled more than \$40bn of monetary reserves, German banks no longer fear that their central bank can offer lender of last resort facilities only in Deutsche Marks. This, along with the build-up of their U.S. operations, has made them feel much freer to lend dollars.

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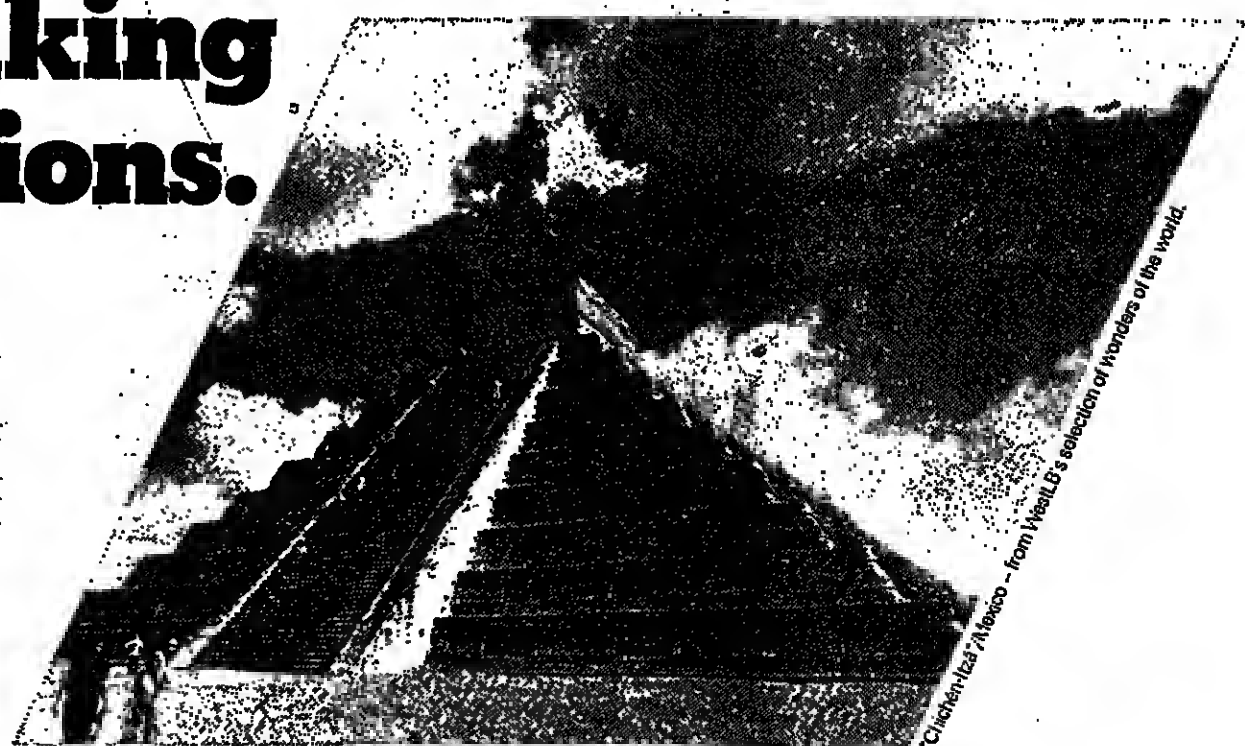
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Portfolios move from dollar

THE VOLUME OF new issues of the Eurobond market fell by more than \$3.4bn last year to \$1.1bn, according to recent figures published in the OECD's annual Market Trends—led by a decline of \$4.1bn in the count of U.S. dollar-denominated issues.

This decline reflected investor's increasing reluctance to acquire bonds denominated in depreciating currency and to take long-term commitments when three- and six-month Eurodollar rates had risen above long-term yields.

While U.S. officials argue that diversification of portfolios away from the U.S. dollar is a temporary phenomenon, many analysts would question such a belief. The huge rescue operation announced by President Carter in November was proof enough at foreign holders of dollars are not willing to continue absorbing an ever-larger amount of the currency.

The major block to diversification of portfolios remains the low availability of non-dollar paper, despite the record amount of DM denominated bonds floated last year. Borrowers raised the equivalent of more than \$5.6bn in DM bonds last year in the Euro and foreign bond markets combined.

This brought the share of such bonds in the new issue market to 24.3 per cent from 8.4 per cent the year before. At the same time the dollar share in the new issue market fell from 56.9 per cent in 1977 to 59 per cent last year.

Floating Rate Notes accounted for a much greater proportion of new dollar issues last year than ever before. At various times during 1978 the new issue market in dollars effectively dried up except for the odd FRN. Gone were the easy days of 1977 when new issues amounting to an average of \$2bn every month were being floated.

Commissions

Bond houses have had to face another development which has been to their liking: they have had to pass on to investors, at least the institutional ones, an ever-larger proportion of their commissions, usually in the form of selling group discounts.

Tougher conditions last year also showed up the Eurobond market's faults, all the more as nearly half the new dollar issues by international borrowers were floated in the New York bond market in the form of Yankee bonds.

This prompted more investors to look closely at the respective advantages of each market. In most terms there seems little to choose between London and

New York. Legal and printing costs are higher in New York, not to mention the cost and time it can take to register with the Securities and Exchange Commission. In Europe, on the other hand, commissions are higher and costs are cut by the fact that coupons, at least on straight bonds, are payable annually rather than every six months.

The Eurobond market is also less discriminating than the Yankee one. Were ratings to be introduced in Europe as they are in New York, this could change. For the time being non-prime-rate borrowers, whether they are Western companies or Third World entities, have much easier access. The bulk of the \$5.54bn worth of bonds raised by the Third World last year, up from 1977's figure of \$3.84bn, has come from the Eurobond sector of the international bond market.

Another major difference between the Yankee and Eurobond markets is the manner in which the bonds are placed. Bond houses in Europe have tended to underprice issues and pass on part of the commissions to investors in the form of discounts, in effect offering them cheap bonds.

In the U.S. the commission for selling bonds is fairly rigid and no professional bond dealer in a selling group can re-allow more than 0.25 per cent in discount if selling to another professional dealer. If he is selling to a private investor he must offer the bonds at the full issuing price while the issue is in syndication. These rules ensure genuine placing.

This discipline is enforceable in New York because most of the business is done by only a small number of bond houses, about a dozen. Were such practices as seen in the Eurobond market to emerge they could easily be detected.

In the Eurobond market where the Association of International Bond Dealers hosts more than 450 members for 27 countries it is impossible to tell who among the bond houses has genuine retail outlet.

There are a number of exceptions, of course, but there is no way of knowing who is cheating when the commission structure allows bond salesmen to pocket 1 1/2 per cent out of the 2 1/2 per cent overall commission and then re-allow the bonds they have bought to anybody. The result is that quite a few operators can make a comfortable living by keeping the 1 1/2 per cent underwriting commission and dump the bonds they have been allocated at a discount.

The result usually is a sharp fall in the price of a given new issue when it starts trading

unless the lead manager rushes in to mop up all the bonds hanging over.

These practices are hard to change because major institutional buyers and central banks have come to expect to get their bonds at a big discount. Further many investment bankers point out that the big European commercial banks warehouse bonds when they cannot sell them, even if they have obtained a mandate to arrange a bond in the first place by offering borrowers terms which they know investors would not accept. This underpricing of issues is a recurrent feature of the market.

Retort

Attempts by European banks to introduce such practices in the U.S. met with a sharp retort back in 1977. The question today seems to be: will New York-type practices finally prevail in the Eurobond market?

Guessing the volume of new issues of dollar-denominated bonds this year is not easy; although a record amount of new issues was floated last month—at least if compared to recent months—it remains doubtful whether all have been well placed. New issue activity is bound to remain thin as borrowers are unwilling to pay yet higher coupons and dealers cannot possibly carry a reasonable inventory.

The huge amount of funds suggests that if and when investors are convinced interest rates have peaked the policy characteristic of recent months will develop further.

Chasing bonds in the secondary market to lock in higher yields, borrowers may be prepared to pay more for their money, especially if they can call their bonds within two years or less as has been the case with a number of recent issues, and—if they were to become convinced that interest rates were going to remain high for some time to come.

The DM sector is also suffering from escalating interest rates today, though the differential in favour of DM paper remains large. But the speculative lustre has been rubbed off the currency for the time being and new issue activity has fallen considerably.

The Swiss Franc market is accommodating a remarkable volume of new issues but it has no desire to challenge the dollar. Until the U.S. currency stabilises and U.S. interest rates stop climbing or come down, it will be difficult to convince investors not to stay liquid or buy gold.

Francis Chiles

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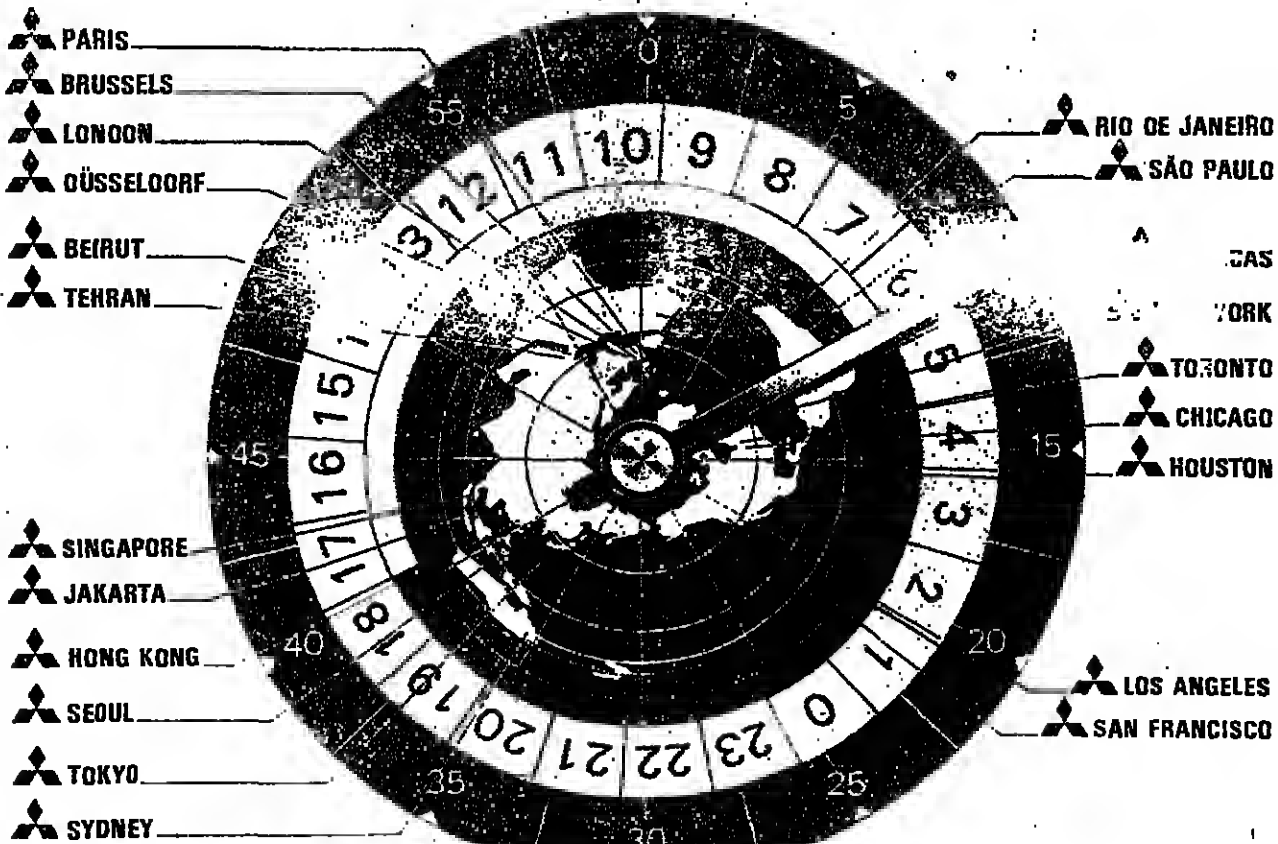
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EUROMARKETS VI

Arbitrage spur to CD issues

THE TWO factors which dominated the international Certificate of Deposit (ICD) markets last year were the relationship between domestic and external dollar interest rates and the Japanese banks' financing needs. A third development worth noting was the proliferation of CD markets in financial centres around the world.

During much of last year foreign exchange market pressures against the dollar meant that the differential between Eurodollar and domestic dollar interest rates was wider than usual. Eurodollar rates are traditionally higher than U.S. domestic dollar rates (to allow for the greater risk of depositing a currency outside the country whose currency it is). However, when the dollar comes under pressure on the foreign exchange markets, the rush to borrow dollars for conversion into other currencies tends to push up external dollar rates to a higher-than-usual margin above domestic rates.

A further factor pushing in the same direction last year was the tendency in international markets to try to anticipate rises in U.S. domestic rates. The net result of this position for the CD markets was a decline in U.S. bank issues outside the U.S. and a sharp rise in the volume of their issues inside the U.S. Indeed, for a considerable period it was well worth while for the U.S. banks to issue CDs within the U.S. simply for the purpose of buying Eurodollar CDs.

The volume of U.S. bank issues of CDs outstanding in London, which had risen from \$11.6bn to \$14.0bn in the last quarter of 1977, fell back to a low of \$11.5bn in August. Meanwhile, issues of CDs inside the U.S. (which do include foreign bank issues but are obviously not included in the London total) rose from \$99.9bn last year to \$110.5bn this year.

It is worth noting that the structure of domestic interest rates within the U.S. meant that it was even more worthwhile for U.S. companies to arbitrage money out of the U.S. than it was for banks. Commercial paper rates were standing well below CD rates in the U.S. last year and although dealers say that some U.S. companies felt that such activity is naughty, it may be assumed that outflows of capital from the U.S. through the corporate sector were added to outflows via the U.S. banking sector.

At the end of August the name of the game was changed by the U.S. authorities' removal of reserve requirements on net borrowings by banks in the U.S. from abroad. The effect of this move was almost certainly diluted by the big foreign exchange market upheavals in October and in the last half of December.

Delay

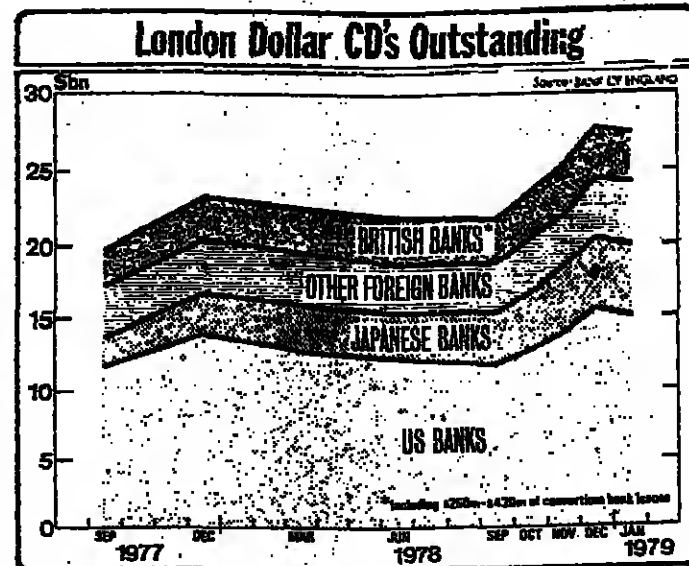
Two other factors probably served to delay the impact of the removal of this regulation. One was the fact that the assessment date on which the reserves would have been payable was almost a month after the announcement of its removal—so that at its earliest it would have taken effect towards the end of September. The other was that during last year U.S. banks generally were very large net lenders to their foreign branches and for most banks these positions would have to be unwound before the removal of the reserve requirements became meaningful.

Nonetheless, the abolition of the reserve requirements was certainly one factor—and an increasingly important one—in making fund-raising cheaper for U.S. banks outside rather than inside the U.S. The other two factors involved in pushing up U.S. bank issues of CDs in London late in the year were the regular seasonal one and, dealers say, expectations of rising interest rates.

President Carter's November 1 package to support the dollar did indeed succeed in stabilising the dollar's position on the foreign exchange markets, but at the cost of a commitment to keep U.S. interest rates sufficiently high to continue to attract funds into the currency. Thus dealers argue that when the dollar again came under pressure in the latter half of December the reaction of U.S. banks was to raise term deposits modestly in an effort to get in sufficient funds to cover themselves for the next few months when they expected rates to be pushed up steeply again.

In the event the dollar re-established rates fell back quite fast in January and issuing activity by U.S. banks was very quiet until perhaps the last couple of weeks.

Recently, however, it has reportedly picked up again, a particularly notable feature being the fact that U.S. banks are going for longer maturities than usual. Dealers are interpreting this as a sign that top U.S. banks think that once the U.S. authorities have digested the extent to which the official money supply figures have understated the growth of the money supply they will move to push up rates fast and sharply.



But it is still too early to see a clear trend here.

Meanwhile, the gathering impact of last August's removal of the regulations re reserve requirements has favoured flows from the external to the domestic dollar markets. The rate structure recently has been that Euro-CD issues have cost U.S. banks more than domestic issues of CDs. The lack of reserve requirements on the Euros more than compensates for this difference.

Moreover, while this has probably promoted inflows via the U.S. banks into the U.S., it is not much less worthwhile for U.S. corporate treasurers to invest proceeds of commercial paper issues abroad.

Japanese

The other big source of issuing activity for CDs worldwide is the Japanese banks. The reason for their activity is twofold. First, under Japanese domestic regulations they are mostly prohibited from issuing floating rate notes or bonds. Second, and also under Japanese regulations, they have been required since mid-1977 to cover their medium-term Euro-currency lending by taking in medium term deposits (defined as deposits not maturing for at least a year and a day).

The details of the regulations are complicated but the niceties of reporting dates meant a big build up in their issuing activity towards the end of 1978.

They issued CDs heavily in London, New York and Singapore, particularly floating rate CDs.

According to Japanese sources, the volume of CDs issued by Japanese banks and outstanding round the world at the end of each of the last four years was as follows (in \$bn):

Year	Medium-term	Short-term	Total
1975	0.5	0.4	0.9
1976	1.2	0.7	1.9
1977	2.0	2.0	4.0
1978	5.0	3.0	8.0

Outstanding issues by Japanese banks on the London market rose from \$2.7bn to \$4.8bn last year. Surprisingly, London still accounts for some 60 per cent of total Japanese CD issues, though its position has been eroded a bit in recent years.

The latest Japanese breakdown, showing where the Japanese banks' issues were made, unfortunately dates back to the end of 1978 and this shows London as being responsible for close on three quarters of total issues, with New York accounting for just over 20 per

cent and Singapore for only 5 per cent.

The Japanese funding requirements were eased considerably at the end of last year and after some ironing out of anomalies affecting individual banks, issuing activity is expected to be less hectic this year. In addition, medium-term lending by Japanese banks is also expected to run at lower levels than last year, at any rate for the early part of the year and this would lead to lower funding requirements.

One of the major current trends is the proliferation of markets in CDs. For nearly a decade London and New York were the only CD markets in the world and the only two currencies in which CDs were issued were U.S. dollars and sterling.

These two centres remain the cornerstone of the market. Singapore, with \$245m worth of total issues outstanding at the last reporting date, is certainly third. But there are also several CD markets in the Middle East—in Kuwait dinars in Kuwait and in U.S. dollars in Bahrain. Even Amman, hardly the world's best-known financial centre, is on the CD bandwagon.

However, until now the three biggest gaps—the D-mark, the yen, and the Luxembourg franc—remained gaps in the network.

There is no sign that the Bundesbank is thinking of relaxing its relentless opposition to the issue of D-mark CDs. Indeed, one of the more entertaining episodes in the international financial markets last year involved preliminary moves by the New York branch of the German DG-bank to issue D-mark CDs via Salomon Brothers to U.S. investors. The Bundesbank made its opposition manifest and the proposal was dropped with red faces all round.

However, there are moves to fill the other two gaps. Although some final details remain to be settled, the Japanese authorities and banks have agreed that a yen CD market will start in Tokyo in April.

The Japanese authorities feel that they are taking a leap in the dark in that these CDs will be the first forms of investment other than money market deposits where they will not regulate the interest rates. Japanese companies, which are not allowed to place deposits on the money market, will be allowed to buy the CDs. The issue of yen CDs will be an "in-in" business; only Japanese-resident banks will be

allowed to issue them and the proceeds must be lent domestically. Investors must also be domestic (though it is not clear whether foreigners will be able to buy them through a secondary market). Maturities will be allowed to range up to one year but the vast bulk of activity is expected to be under six months. Rates will be close to money market rates.

Among the questions which remain to be settled is whether the Japanese securities companies will be allowed to trade the CDs.

The launching of this market is regarded in many quarters—not only Japanese—as a breakthrough, not least because of the liberalisation of the domestic interest rate structure which it implies. Its progress will certainly be watched very closely.

The launching of a CD market in Luxembourg has been made possible by changes in taxation passed by the Luxembourg Parliament in November. Previously the existence of a steady duty and a withholding tax had not made it worthwhile for banks to consider CD issues there.

However, the launching of a market is not expected overnight. The matter is currently in the hands of the Luxembourg Banking Association and the Banking Commission. The intention is that before any bank starts issuing CDs, regulations will be devised which ensure an orderly market, with the quality of the issuer being completely maintained.

The preparation of the framework for the market is likely to take most of this year and its launching is not expected before next year. Despite Luxembourg's role as the main centre for Euro-D-mark business, CDs issued in Luxembourg will be denominated only in dollars since the Luxembourg authorities and banks will certainly not flout the Bundesbank's wishes.

London

In London a big talking point among dealers at present is the possibility of being allowed to make markets in CDs issued by banks outside London. Hitherto the Bank of England has only licensed dealers to trade in issues by London banks because it wants to ensure that the quality of paper traded is maintained. Dealers may buy other CDs for their own account, but private deals are all that is allowed and no exemptions from exchange control are made.

The development which has prompted the hope that these regulations might be relaxed was the likelihood of a CD market being opened up in Luxembourg. As Britain is a fellow member of the EEC, dealers feel that the Bank of England might well find it difficult to prohibit London dealers from making a market in CDs issued by banks in Luxembourg. By extension from this, they hope that the trading of CDs issued by banks generally elsewhere would have to be allowed too.

However, it seems that on current thinking the opening up of markets elsewhere would not be likely even were Luxembourg to come on stream. There are still plenty of examples of exchange control continuing in operation even vis-a-vis the EEC.

Mary Campbell

Leading centres

EUROMARKET SHARES

(% September 1978)

EUROPEAN CENTRES	72.3
Belgium-Lux	11.7
France	9.4
W. Germany	2.8
Netherlands	4.6
Switzerland	4.1
UK	33.9
OTHERS	27.7
Bahamas and Caymans	12.4
Bahrain	2.8
Hong Kong	1.6
Panama	1.3
Singapore	3.1

Source: Bankers Trust Co.

reasons a large part of their international business is booked in their Luxembourg subsidiaries, and the strength of the Deutsche Mark vis-a-vis the dollar. It is thought that by the end of 1978 more business was done in Belgium and Luxembourg together than in the Bahamas/Cayman, making these two Continental centres second only to London in importance.

The zenith for the Bahamas/Caymans appears to have been in 1976, since when these two Caribbean centres have lost market share. The possibility of establishing an offshore centre in New York in the same time zone, could further eat into their

share. Business could be switched easily to New York, where most of the banks' existing facilities are based.

Growth in the amount of business conducted through Hong Kong has been faster than that in Singapore, although from a smaller base. There are signs that Hong Kong is about to experience a further surge of activity. The lure of lending to China and the continued demand for funds from Far East borrowers bodes well for the colony. Several European and American banks are currently re-evaluating plans to boost their presence in Hong Kong. Market sources suggest that the figures for the amount of Euro-currency business arranged through Hong Kong may be grossly underestimated as a large chunk is actually booked in other centres, such as the New Hebrides.

In the Middle East, Bahrain continues to consolidate the trade progress made between 1975 and 1977, when the centre's share of the total Euro-currency market grew sixfold.

It is difficult to estimate the possible impact of establishing an offshore centre in New York on the current pattern of Euro-currency business, though most bankers think London would lose little.

Rosemary Barr

هنا نحن الأفضل

Currency sectors

Deutsche Mark

DEUTSCHE MARK denominated bonds accounted for 26 per cent of international bond issues last year, a record which must be set against the background of an ailing dollar and substantial rises in U.S. and therefore Eurodollar interest rates. Although the Eurocurrency climate has been less kind to the DM sector in recent weeks, the strength of domestic currency has enabled German banks to carve out for themselves a much more important chunk of new issue activity than ever before.

But it was not all plain sailing in the DM sector last year. Regular bouts of investment indulgence occurred, for different reasons, but overall activity both in new and seasoned issues remained at a high level.

Gross new issue volume in the Eurobond markets fell last year essentially because of the sharp decrease in new U.S. dollar-denominated issues. This reduction was a reflection of the increasing reluctance of investors to take on paper in a currency which was depreciating and at a time when the long-term yields obtainable on dollar-denominated bonds were below short-term interest rates.

Investors bought DM bonds because the currency was viewed as strong and access for

foreigners easier than was the case with Swiss franc-denominated paper. On more than one occasion the volume of Deutsche Mark issues on offer was greater than those of dollar-denominated.

All DM bonds issued by foreign borrowers raising more than DM 20m are informally regulated by the Foreign Issue Sub-Committee of the German Central Capital Market Committee. The sub-committee, which includes representatives of the principal German issuing banks and a representative of the Bundesbank, meets regularly, usually once a month. Its major concern is to maintain order in the Deutsche-Mark foreign bond market: it approves the volume of new issues and establishes a calendar.

Last May it decided to close the new issue market for a month and when it agreed to reopen it on June 20 it approved a volume of new issues for the following month amounting to only DM 330m.

This figure was less than a third of the monthly average previously. The sub-committee also agreed that it would review the terms of all new issues one day before the day of the issue.

The approved volume of new issues climbed steadily from June onwards until towards the

end of the year it topped the DM 1bn mark. However, during the current month new issues are back to their level of early last summer.

The increase in the volume of DM paper was accompanied by one notable development: a greater variety of borrowers were allowed to tap the market, in particular some from less developed countries or "exotic borrowers" as bankers call them.

The reasons for the bouts of indulgence, which occurred regularly, varied. The sheer size of the new issue calendar was sometimes blamed. In one instance Deutsche Bank, which dominates the new issue business, chose an unpropitious moment to start unloading DM500m of Canada bonds which it had taken on to its books in the spring.

A more frequent cause of weakness, which aggravated the problems caused by a heavy new issue volume, related to the coupons offered to the borrowers. Every time the gap between German domestic and foreign bond rates widened, the foreign bond sector suffered. Usually a few days were enough to put things right.

A stronger, or simply more stable, dollar also had an adverse effect on the DM sector. This was particularly true after

the announcement of the Carter package to defend the U.S. currency last autumn. Again it has been the same story throughout most of last February. When the weakness of the DM sector arises out of this German bankers can only sit tight and wait.

Perhaps the most original development in the DM sector last year was the surge in DM-denominated Japanese convertibles. The Japanese were attracted by the low coupons available, but they took a long time to accept the need for coupons on individual convertibles to be increased when they happened to be launched just after an increase in German domestic rates.

These difficulties seem to have led the Japanese into announcing that they intend to float more Swiss franc denominated bonds than DM convertibles during the next quarter.

The meteoric rise of the Japanese yen and the good performance last year of the Tokyo Stock Exchange initially combined to make Japanese convertibles very attractive on a speculative basis. Conditions are different today and far fewer such convertibles are planned for the next quarter.

Francis Ghiles

Swiss franc

THE RECENT weakness of the Swiss franc market emphasises its new attraction for the borrower. Money is very cheap in almost inflation-free Switzerland, while the currency is much more stable than last year and well down from September's giddy heights. In addition, January saw the lifting of the restrictions on non-residents' purchases of Swiss franc securities. The scene was set for a new series of foreign issues.

In fact, even in the uncertain days of 1978 the Swiss capital market had hardly been neglected by outsiders. The nominal value of new bond issues rose to a new record of SwFr 4.43bn, as compared with SwFr 3.7bn in 1977, while private placements remained very high at SwFr 9.6bn (1977 SwFr 9.3bn). When the volume of bank loans to foreign addresses is added, the total value of foreign borrowings increased to an all-time high of SwFr 21.9bn, the equivalent of current exchange rates of some £13.27bn. Against this must be set a record volume of redemptions, however, which in respect of bonds alone rose in the foreign-borrower sector from SwFr 1.93bn to SwFr 2.96bn.

This year got off to a spectacular start, with some very big transactions indeed. By far the largest was January's issue of rather over SwFr 2bn of "Carter bonds". Well over half of the issue alone seems to have gone to the top three commercial banks, which have been having great difficulty in investing their rapidly growing liquid funds.

The success of the Carter bonds acted as something

of a signal to other governments keen on becoming Swiss franc debtors. A new approach was that of the Canadian and Australian authorities, each of which announced a three-pronged borrowing made up of a public bond issue, a private placement and a bank loan.

New Zealand has borrowed SwFr 120m at 3 1/2 per cent, Denmark SwFr 100m at 3 1/2 per cent and the Philippines SwFr 50m at 4 1/2 per cent, all within the first eight weeks.

There is now a certain doubt in the market, however, as to just how much in the way of large-scale governmental issues can be done, at least at present interest rates. In the so-called "Ardeau Bond" issue, the issuing banks talked the Canadians out of making SwFr 500m of the SwFr 1.5bn total borrowing a public bond offer for fear this might overstrain the market. Instead, the ten-year bonds—equipped with the "fine-tuned" coupon of 3 1/2 per cent—will now amount to only SwFr 300m, the missing SwFr 200m being offset by a

corresponding increase to SwFr 700m in the bank loan.

Grave misgivings have been voiced in connection with Japanese plans to float no fewer than 42 medium-term note issues in the private placement sector in the second quarter, most of them convertibles.

It looks very much, too, as though interest levels are on their way up. Whether other industrialists will be able to get away with the 3 1/2 per cent coupon ICI Finance (Netherlands) attached to its large SwFr 230m float earlier this year is very doubtful. Even with non-resident investors back on the market demand is short of dramatic. There is also pressure on the domestic bond market, where some recent borrowers have seen their issues under-subscribed or reduced; interest rates are expected to rise from their mid-fifties levels soon.

The Swiss authorities continue to be very much in favour of foreign borrowing. With the compulsory conversion of proceeds into dollars, the

National Bank is able to finance a considerable part of its large-scale interventions on the foreign exchange market to dampen the Swiss franc parity. There is no talk of the monetary authority reverting to its former practice of limiting the amount borrowed by non-residents.

New borrowings will continue, however, to be partially offset by very large redemptions, many of them long before original maturity dates.

Meanwhile, Swiss banks remain active in the "outside" Euro-market, mainly acting through various foreign subsidiaries. They are still less than happy about their opportunities for direct participation though. The Swiss Bank Corporation (SBC) points out the negative effect on Euro-bond trading of the 30 per cent increase in turnover duty as of April 1 last, as a result of which secondary market business largely moved abroad.

John Wicks

Yen

THE CLOUDS which formed over the market for samurai bonds through the latter half of 1978 have yet to clear, and despite signs of strong interest on the part of foreign borrowers, this year may prove even more difficult than last.

The reason for this uncertainty is that the Japanese Government is planning to issue more than ¥15,000bn in bonds to finance its national budget.

several trillion yen more than in the fiscal year which ends on March 31 next. This huge official burden for the market will be made even heavier by the prospects of greater demand for funds from the corporate sector if the economy picks up later in the year.

The market was given a psychological boost when the Government finally consented to raise the yields on its long-term (10-year) bonds from 6.1 per cent to 6.5 per cent from last March. Prices have become steadier, but this will have little

effect on the samurai market which is the only sector in Japan where pricing reflects directly conditions in the secondary markets. Yields there have risen almost uninterrupted since last summer. By the time pricing negotiations for issues in March got underway coupons were being set at the highest levels since the summer of 1977.

Last year there were 28 issues of yen bonds by foreigners totalling about ¥722bn. This was up sharply from the prior years total of ¥396bn but well below initial expectations. The Government has encouraged yen borrowings in order to bring into balance its international payments surpluses.

Following an absence of issuers in January, from February onwards there have been bonds floated by Brazil and the Interamerican Development Bank. By the end of March the U.S. group Sears Roebuck and Co. will become the first private corporation to issue an unsecured samurai bond (¥20bn for a term of five to seven years) and Toyota will issue ¥80bn in five-year bonds.

In April Denmark plans to issue ¥305m, Austria ¥20bn and the Finnish public power corporation ¥10bn.

Japanese underwriters report that interest in yen bonds for May issues have surged. There were applications amounting to ¥1,050bn. This will be divided into a Swedish issue of ¥20bn and a Norwegian ¥40bn five-year issue, issued by Thailand (¥10bn), Indonesia (¥15bn) and New Zealand (¥40bn) will follow in June.

The outlook for the market conditions is fairly stable for April and May, partly as a result of the raising of Government yields, but underwriters are fearful of what will happen after that when the Government actually begins floating its bonds in earnest. Yields are still tending upward.

The only really new feature in the samurai market this year is the Sears issue. The securities and banking sectors in Japan went through a long debate over whether the custom of requiring bonds to carry bank guarantees should be waived for qualified companies.

The debate ended in February when the Ministry of Finance gave the go-ahead for Sears, clearing the way for Matsushita Electric Industrial to plan for April the first domestic unsecured bond since 1933.

Only one other Japanese company, Toyota Motor, qualifies under the standard being used to rate companies. There are a number of U.S. companies which qualify, but so far only Sears has shown any interest in coming to the Tokyo market.

Richard Hanson

مكنا من الأجرل



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(He who treads softly travels far)

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Sterling

SO FAR £295m has been raised through the issue of external sterling bonds. The first such issue was made for Amro in 1972 but this £10m issue proved the last for some time. It was not until the autumn of 1977 that the required combination for success again appeared; a good enough outlook for sterling to entice the investor and a low enough coupon to interest the borrower.

Indeed the yield level for Eurosterling in 1977 was at or below the 10 per cent mark. It was thus down—just into an area where British corporate treasurers were willing to entertain the idea of fixed rate long-term finance, while the domestic bond market was still well into double figures. External sterling was, moreover, directly convertible into foreign currency. The combination led to keen interest in this new source of finance, and, quite quickly, to a flow of new issues which the market could not absorb.

During this first revival the yield level on Eurosterling was substantially below that on gilts of corresponding maturity. The extreme example was the 15-year issue for the European Investment Bank. This yielded 6.78 per cent—two points below the equivalent gilt. This yield gap was said to be due to the advantage of a bearer bond where the foreign investor benefited from tax exemption on his dividend without having to register his non-resident status with the British authorities. The novelty value was cited as another reason.

The subsequent history of both the primary and secondary markets in Eurosterling bonds has probably removed much of this margin below gilts. The fluctuating fortunes of sterling, together with Britain's interest rate volatility, have continued to make this market an uncomfortable one for both issuer and investor. Bursts of issues have been followed by bouts of indigestion. Secondary market prices—while not necessarily underperforming the gilt market—have moved in sudden jerks and have dropped to levels which appear had in any list of Eurobond prices. At the turn of the year issues floated before the primary market shut in April, 1978 were trading mostly in the low eighties.

It was against this short and unsettled history that the Eurosterling market reopened in March with a £15m issue for Finance for Industry. The coupon was 13 per cent, thus taking the market up to a new yield level and, incidentally, one that was very much in line with prevailing gilt yields.

Unless interest rate perceptions in British industry have changed radically it seems that it will only be borrowers with rather special requirements which will raise long-term national ambitions in the Eurofranc market. The Treasury has exerted strict control over the new issue calendar and has laid down that about one new issue every month is as much as the market will bear.

The tight rein on the new issue calendar which the Treasury keeps should help to ensure a stable market. This will take time as activity in the secondary market is growing, but is still not very great.

In a recent interview, M. Jean-Yves Haberzer, Director of the Treasury, underlined three factors which he felt were important. First of all, this sector should have no adverse effect on the French balance of payments; the amount of new issues should be of medium size; and, third, that issuers be of the highest quality.

In the event the quality of borrowers has proved to be no problem. Borrowers have been queuing up to float French Franc denominated bonds and, as M. Haberzer put it: "We are not supplicants."

The mix of borrowers so far has been very eclectic, including such high-quality names as Unilever, Peugeot-Citroen and Norway. Most issues have performed well in the secondary market which until late February was friendly.

The weakness of the franc which developed late that month and the closing of the new issue domestic market requested by the Treasury because of rising interest rates, cast a shadow on the foreign franc sector. An increase in the volume of new issues would appear to be ruled out for the time being. Having taken two years and more to reopen the market, the Treasury has no wish to be forced to close it.

In private, senior civil servants in charge of the markets point to the disaster which befell the Eurosterling sector last winter. They add that they have no wish to preside over a similar course of events in France.

While no one in Paris or outside France expects the French franc sector to grow to the point where it rivals the major areas of activity in the Eurobond markets, the French authorities and bankers feel pleased with the achievement so far.

THE NEW issue activity in the Kuwaiti dinar bond market is confidently expected to reach KD 200m in 1979. This sector, while it does not pretend to compete with the dollar or Deutsche Mark, has nevertheless witnessed a steady progression since it started in 1974. In that year the new issue volume was KD 75m; by last year it had risen to KD 154m.

Over the years the market has become more sophisticated. The amounts borrowers can raise now average KD 10-12m, double the figure of a few years ago. Maturities have been stretched and more banks are involved in the management groups. The final seal of approval from borrowers came when the City of Oslo floated a KD 10m issue last autumn.

This issue, the first ever for a triple A rated borrower in Kuwaiti dinars, has helped to dispel the suspicion that only borrowers with less than perfect credentials find it necessary to tap this market. True, in 1974 the Oesterreichische Kontrollbank (Austria) did arrange a KD 5m issue but the overwhelming number of borrowers came from the Third World. Further issues for top quality borrowers, and possibly one for

a good U.S. corporate name, are expected later this year.

The advantages of raising KD-denominated bonds stem from the stability both of interest rates and the currency, which is tied to an undisclosed basket of currencies in which the dollar is believed to play a major role. Kuwait has a strong vested interest in a stable currency as years of capital surplus have led its Government and private investors to invest heavily overseas.

Since 1974 the KD has appreciated by about 10 per cent against the dollar, a far cry from what has happened to the accepted leading strong currencies. The stability of interest rates in the KD sector is a very attractive feature for borrowers at the moment; a borrower can raise KDs at rates two basis points cheaper than in the dollar sector of the market.

This gap will increase if Eurodollar interest rates continue to move up while those on KD borrowing continue their gentle downward trend.

The Kuwaiti banking community has also been working hard to help widen the market both in terms of banks involved in launching issues and in trading. Two years ago the

number of Western-based banks now beginning to take an interest in KD-denominated bonds would seem to suggest that demand for such paper is increasing. But bankers outside Kuwait remain convinced that most of the bonds are placed with Gulf customers.

If U.S. dollar rates continue to move up, the attraction of KD-denominated paper and the lower coupons it affords to the borrower should increase. With a growing depth to the secondary market and a few well respected names on the new issue side, 1979 could prove to be a breakthrough year.

Guilder

THE EUROGUILDER note market is the cautious but successful Dutch response to the challenge posed by flows of international capital.

The Dutch central bank exercises tight control, but the major issuers say they do not find this irksome. A strong element of self-control is in fact built into the market given the dominating position held by Holland's two largest commercial banks and their merchant banking subsidiaries.

The Nederlandsche Bank gave its approval for the setting up of the Euroguilder note market in late 1969 following the revaluation of the Deutsche Mark which diverted capital into the guilders. Worried that this would upset domestic monetary policies and increase inflation the central bank allowed the establishment of a new market, almost completely sealed off from the domestic capital market.

The defensive origins of the Euroguilder note market have made it the most tightly supervised segment of the Eurobond market. The issuing banks, together with the central bank, maintain strict controls on the quality of borrowers. The maximum permissible maturity is seven years, repayable in four equal instalments in each of the

last four years or as one final capital sum. Five and six-year maturities are also permitted but they are limited to one final capital repayment.

Issues must be lead-managed by one or more Dutch banks with up to two foreign banks taking part in the management syndicate. Dutch institutions must outnumber the foreign banks, however. All but three of the 107 outstanding issues were managed by the four main issuing houses.

Notes issued by foreign borrowers may not be sold to Dutch residents in either the primary or secondary market, although notes from Dutch borrowers may be sold to residents. The central bank has become more flexible on the question of size and Norway has issued several Fl 100m bonds. Other borrowers have so far been restricted to Fl 75m.

Euroguilder issues are not underwritten but are sold on a best effort basis. There is no listing on any stock exchange and no prospectus is issued.

This lack of documentation puts a special burden on the issuing banks to establish the quality of the borrower but it also lowers costs. The outlay on an issue is put at Fl 50,000-Fl 75,000 (\$25,000-37,500), with a spread of 1 1/2 per cent. Of this

1 per cent goes to members of the placement group and a half per cent to the management group.

The secondary market is maintained by five or six Dutch banks, although foreign banks will occasionally also make a market in a new issue. Up-to-date listings of the bonds, their prices and yields are published by the issuing banks.

New issues in 1978 numbered 10 with a total value of Fl 770m (\$385m) compared with nine issues the year before worth Fl 670m. Volumes this year will depend on the strength of the guilder and interest rate developments.

If these are favourable and the growing balance of payments deficit raises a large query, then 1979 could be an active year for new issues. With 34 bonds maturing this year, 16 of them issues repayable in one final sum, the borrowers may want to renew their Euroguilder portfolios. In one banker's view, the queue for domestic notes may prompt the central bank to allow two Euroguilder issues a month limited to the current limit of only one. The central bank is anxious though that the guilder does not become a reserve currency.

Charles Batchelor

Kuwaiti dinar

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Charles Batchelor

French franc

THE FRENCH Treasury decided last September to reopen the French franc sector of the Eurobond market which had been closed for more than two years. Some French bankers would have wished this decision had been taken earlier, after the general elections in March, 1978, which confirmed the ruling coalition in power, fears evaporated about the possible effects of a Left-wing victory and what it might entail for the economy and the currency.

The franc's strong performance since then is also explained by other factors. The Prime Minister, M. Raymond Barre, initiated a policy which liberalised prices for the first time in post-war France. He encouraged the restructuring of large sectors of the country's economy, even at the cost of a big rise in the number of unemployed, and he sought to reduce the deficit in France's trade balance.

Nevertheless, when it came to reopening the French franc sector the authorities moved, with the utmost caution. Officials pointed out that France had no

such high-quality names as Unilever, Peugeot-Citroen and Norway. Most issues have performed well in the secondary market which until late February was friendly.

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THE FOREIGN exchange market upheavals last year provided the conditions for renewed interest in bonds denominated in currency units which are not the currencies of any single country. One bond denominated in the International Monetary Fund's (IMF) monetary unit, the special drawing right (SDR), was launched, while the volume of bond issues denominated in units of account picked up a bit from the very low levels recorded in 1977 and 1978. A second SDR issue was launched last month.

The theory behind borrowing or investing in bonds denominated in non-national currency units is that the risk of loss through the changes in a single currency's value against other currencies is reduced. This argument comes to the fore most at times of currency upheaval. It is worth noting that in addition to the somewhat increased value of issues, more banks are now offering commercial deposit and borrow-

ing facilities denominated in these units.

Other arguments currently being put forward in units' favour are the moves to implement a substitution account at the IMF (whereby reserve dollar-denominated holdings would be substituted by reserve holdings denominated in SDRs) and the last week's implementation of a European Monetary System (EMS) which includes plans for a European Currency Unit. The world, it is argued, is currently taking big strides towards much greater use of non-national currency units.

To some extent there is no doubt that the argument holds water. The fact that the Nordic Investment Bank has its capital denominated in SDRs is quoted as a major reason for its decision to make a Eurobond issue denominated in SDRs. Conversely, the central banks seeking to avoid losses in the value of their reserves might be expected to seek out more investments denominated in the

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special drawing rights in which their reserve holdings are expected to become increasingly denominated.

The basic argument against hoping for the brave new world of non-national currency units is simple—their track record. They have been around a long time—indeed it is arguable that the first ever Eurobond issue was one denominated in units of account in 1961. It is over seven years since the breakdown of the Bretton Woods system. Six years ago this month the dollar was effectively floated, for good it seems.

But SDRs and even units of account have played no more than a tiny role in the burgeoning international financial business. Any argument which has been put forward in favour of these units in the past should surely have shown fruit by now. (It is even arguable that a feature of last year's currency upheavals was the relatively small increase in interest in the non-national currency unit option.)

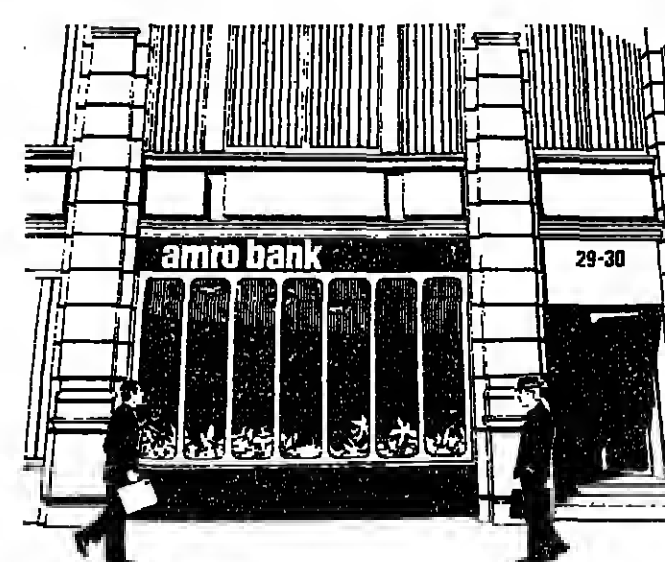
There are various technical reasons for the lack of enthusiasm for these instruments. However, the Euro-markets have proved time and again that where there is a will, a way is usually found and it is difficult to conclude that their failure to catch on is due to something more basic.

One factor which has probably been significant is that the international investment community generally is the opposite of risk averse when it comes to currencies. A notable feature of every currency crisis is a surge into bonds denominated in the favoured currencies. The same is true of the money markets.

Another and perhaps more threatening argument against these instruments in the long term is that insofar as the idea of currency diversification is catching on, it is already being implemented on an individually tailored basis by each trader/borrower/investor.

M.C.

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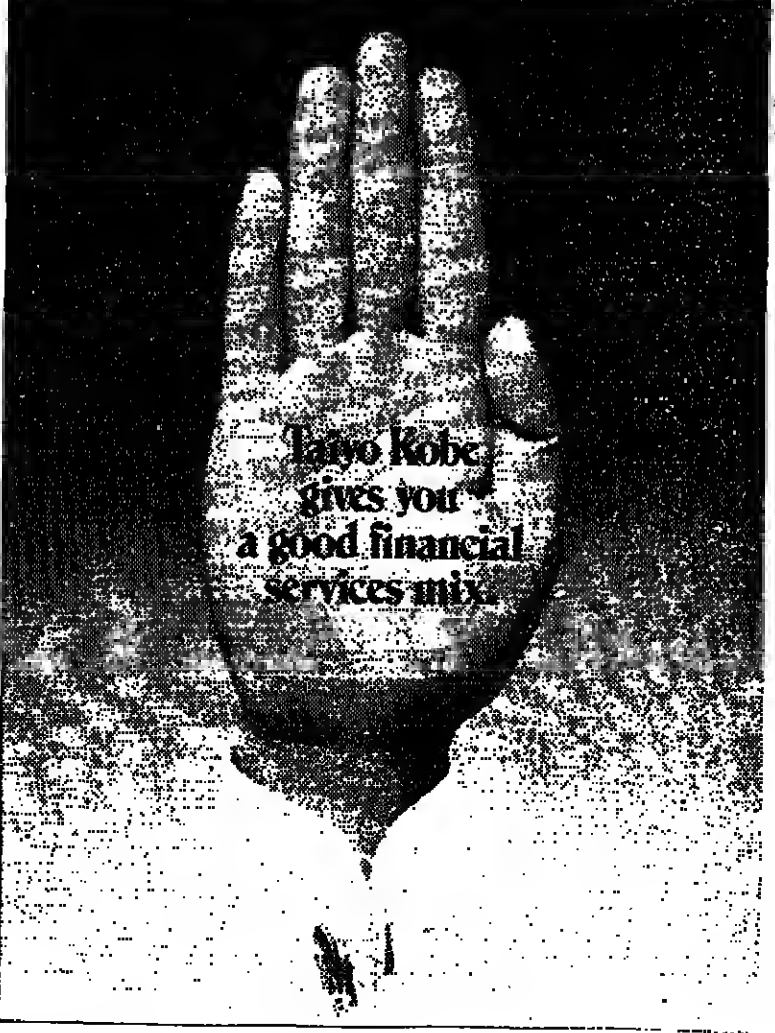
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مركز من العمل

Debtor nations

TWO big changes in country debt trends the late 1960s and early 1970s were the shift from international agency lending to commercial bank lending and the multiplication of the size of country debt in the wake of 1973 oil crisis.

Between them, these two developments led to the idea of bank lending to countries something to be repaid, and made national debt denominated in foreign currencies a permanent feature of international and domestic financial systems.

The big change of the last couple of years has been the growth in significance of the concept of net debt—borrowing less foreign exchange reserves. This has been accompanied wider emphasis on external financial vulnerability instead of on traditional debt service.

The first big borrower consciously to opt a policy of building up its debt beyond necessary levels was probably Brazil. In 1976 Paulo Lira, the head of the central bank, presided a series of seminars round the world to explain that what Brazil considered important in debt management policy was not the total size of the debt but what he called the coefficient of vulnerability.

In English which even the English can understand what he was hastily saying was that it is no good having marvellous prospects paying off debt from exports in a couple of years' time if you have not got the money service existing debt between now and then.

In such a situation a borrower is vulnerable to either a 1974-style crisis in the market or to bankers' lack of faith in export prospects. This might well lead banks to refuse to roll over credit and effectively destroy economic and even social plans for years to come.

At that time Brazil's balance of payments was not good, its capital expenditure programme was ambitious and its debt was already large. Reflecting on all these three factors it was proposing to borrow a great deal more money and its theorising on debt was regarded by hard-headed (though basically positive) bankers with some scepticism. But since then the explosion of international liquidity has moved the markets in Brazil's direction. De facto if not always quite intentionally a large number of countries have adopted Brazil's policy of maintaining a large cushion of cash and increasing their gross debt much faster than their net debt.

Although some spare cash balances have been invested in bonds (especially Danish, Swiss franc and yen bonds) the vast majority has been redeposited with international banks. The accompanying chart showing how the growth of gross lending outstripped net lending in 1978 gives some indication of the spare cash which has been built up not only by the public sector but by countries as a whole.

It is worth noting that while the non-oil less developed countries (LDCs) outside Europe were the first group to start pushing up their gross debt faster than their net debt,

Eastern Europe is still doing the reverse.

Turkey's crisis, which combined short-term debt structure problems with lack of foreign exchange reserves (as well as basic economic problems), has gone far to emphasise the importance of the maturity structure of debt and cash availability. But generalised adoption of the concepts of net debt and the coefficient of vulnerability still has far to go. Whether through conservatism or long-sighted prudence, the International Monetary Fund (IMF)'s guidelines on foreign borrowing by countries which owe it money habitually limit the rate of increase of gross debt.

Although bankers involved in lending to Iran have recently been comforting themselves with the fact that its foreign assets exceeded its foreign debts, the idea of net debt has never been formalised to the extent of banks' country limits on loans being after allowance for redepositing.

But while the growth of cash balances in the hands of big debtors goes far to eliminate the short-term likelihood of more "Turkeys", it carries with it the seeds of potential longer-term problems. The danger is that governments of cash-rich but debt-ridden countries might be tempted to allow their constituents to spend foreign exchange balances on consumption.

This would be in a situation where the balances' very existence would mean that the country concerned could avoid going to the IMF until the fundamental economic problems

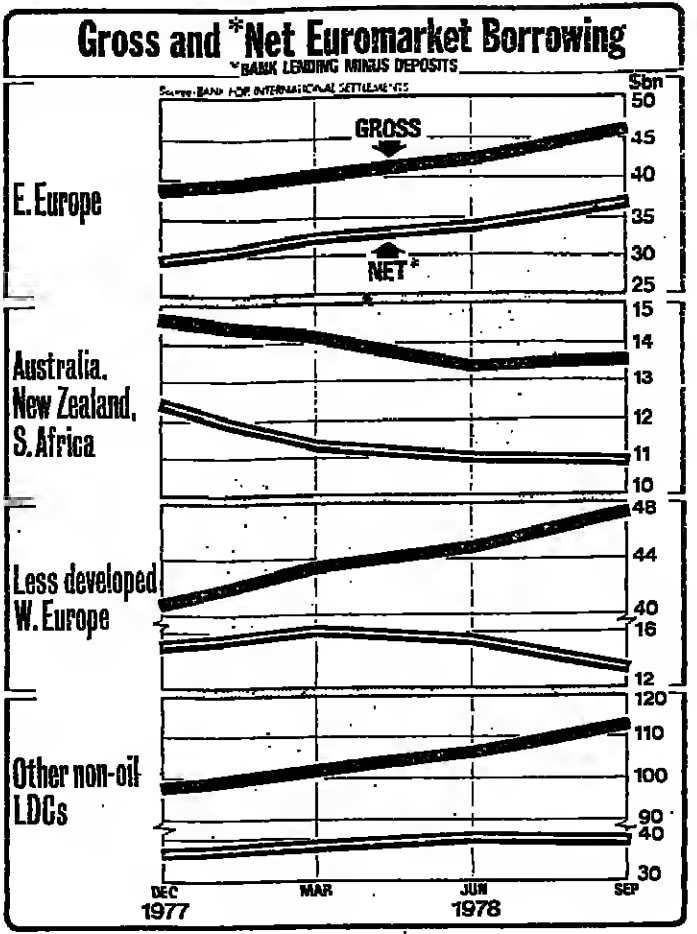
needing adjustment were much worse than would have been the case without them. Such situations would be more troublesome than that of Turkey where most of the foreign exchange was borrowed short-term at the same time as, rather than in advance of, being squandered.

Such a crisis would be more difficult to prevent and more difficult to cure than that of Turkey, where the banks really had only their short-term greed to blame for their problems (the front-end fees on their loans were very high). It is to be hoped that given the much-improved information flows now available, such a case will not recur.

The crisis in Iran may point the way to one kind of solution to the new problems. The lesson of Iran in this context is that bankers must be prepared to impose and use clauses allowing them to call a default if there is adverse material change in a country's economic position.

This sounds much tougher than it would be in practice, since individual banks are notoriously reluctant to put countries into default because such action destroys future relationships. But it would at least give the banks some technique for preventing wholesale consumption of foreign exchange reserves in the absence of any cut in debt.

Mary Campbell



Comecon bloc

SEVENTEEN MONTHS have seen a series of warnings from bodies like the Brookings Institute and OECD which have taken a pessimistic look at the size and shape of Comecon borrowing from the West and been rather worried about what they have seen.

The main problem is that a chunk of borrowing entered into during the first half of this decade matures this year and next, while the hard currency exports which were supposed to finance these commitments have not materialised the way which the borrowers had expected.

Looking further ahead, most of the Comecon countries, with the exception of the Soviet Union itself, also face the serious problem of how to finance the expected rise in oil prices from OPEC and other currency sources. The Soviet Union, which currently earns around 50 per cent of its currency earnings from the sale of oil and gas to the West, is reluctant to increase oil sales to Comecon. This obliges Comecon to seek increasing amounts of oil from other currency sources or, what amounts to the same thing, pay the Soviet Union in hard currency for above-quota oil deliveries.

The steady rise in Soviet oil

prices to Comecon customers has already led to a major shift in the terms of trade of the Comecon partners. This is in addition to a similar deterioration in the terms of trade vis-à-vis Western markets, where the prolonged recession and the imposition of quotas and other barriers has kept both the price and quantity of Comecon exports below target while the cost of machinery and other imports from the West has continued to rise.

It is on the basis of long-term trends like these that Western research institutions like the Vienna-based Institute of East-West Comparative Economics have prepared forecasts which predict a continuing rise in Comecon indebtedness. But estimates of a total Comecon debt of some \$200bn by 1990 tend to be treated sceptically by many Western bankers who point to the efforts currently being made throughout Comecon to cut back on imports from the West and reduce growth targets.

Restraint is the key word in several Comecon countries this year. Countries like Poland, Hungary and Czechoslovakia in particular have announced cut-backs in new investment, a slowdown in incomes growth and renewed efforts to boost hard

currency exports and reduce imports. The particularly harsh winter in Poland, East Germany and the Soviet Union has also added greatly to their energy problems and badly dislocated industry at the start of the year.

Despite warnings to bankers of the present and projected problems, however, the overall volume of Comecon debt rose substantially again last year. According to the latest Bank of International Settlements statistics, bank borrowing by East European countries, exclusive of lending by West German banks to East Germany, rose from \$30.1bn in September 1977 to \$46.1bn by the end of September 1978, while their deposits with Western banks rose from \$8bn to \$9.4bn. Unofficial estimates by leading international banks indicate that Comecon total gross indebtedness is now approaching \$60bn, up from around \$33bn at the end of 1978.

Comecon borrowing through the international bond and medium-term Euro-credit markets, however, was relatively restrained last year: the bulk of the new debt was in the form of short-term bank lending and export credits. In a period when the total volume of borrowing on these markets rose over 24

per cent to \$104.4bn, figures issued by Morgan Guaranty Trust indicate that Comecon borrowers raised only \$3.79bn, just \$150m more than the \$3.64bn raised in 1977. This was only 3.6 per cent of the total, compared with 4.9 per cent in 1977.

One of the reasons why the total did not rise much above 1977 levels was the sharp drop in borrowing by the Comecon institutions, the International Investment Bank and IBEI. Such borrowing dropped from \$1.1bn in 1977 to only \$500m last year. This partly reflects the hiatus in new joint Comecon-financed projects now that the Orenburg gas pipeline has come into operation and work is well advanced on the Ust-Filmsk paper and cellulose plant and other joint ventures.

The Soviet Union in particular took advantage of high liquidity in the Eurodollar market to restructure its debt profile by repaying ahead of schedule some \$650m of earlier debt contracted at higher spreads. Hungary also took advantage of the highly liquid market to raise two \$300m Eurodollar loans at very fine margins, and most other Comecon borrowers also managed similar loans.

American banks, however,

stood aloof and refused to add any further Comecon paper to their portfolios at the spreads of 8 per cent above Lihor prevailing on the Hungarian and other loans. Several European banks also showed resistance but the slack was taken up by Japanese banks, which are playing an increasing role in Comecon finance generally both through conventional Eurodollar finance and willingness to extend large export credits.

Leading American banks did, however, decide to play a major role in the \$500m Eurodollar borrowing sought by Poland, which is by far the most debt-ridden country in Comecon. Higher spreads, hefty commission fees and a commitment to provide extensive information on the state of the economy, the balance of payments and the full debt profile were part of the price for further lending.

Indeed greater disclosure is becoming very much the name of the game in Eastern Europe. Up to now statistics have been patchy to say the least, as Comecon borrowers have taken full advantage of the full range of credit possibilities ranging from government and supplier export credits to international bond issues and Eurocurrency credits.

Anthony Robinson

Mexico

MEXICO HAS been the biggest turn-around situation in the international capital markets in the past couple of years. At the end of 1978 the new administration took charge against a background of a sharply devalued peso and one of the two largest country debts in the Euromarkets.

Big private companies were effectively defaulting on their foreign currency commitments while the structure of Mexico's public sector debt was dangerously weighted towards the short term.

Now, hardly two years later, the economy is booming, the current account deficit has been halved, the structure of the public sector's foreign debt has been considerably improved, and perception of Mexican risk has been so transformed that private companies are in the forefront of the foreign borrowing activity.

Whether Mexico, with its political ties with the U.S., would ever have gone the way of Turkey is questionable. But the cause of the transformation in its fortunes was different. Announcement of massive upward revisions of Mexico's oil reserves came in the nick of time—at the end of 1978 and early 1979—and it completely

assuaged bankers' mushrooming fears. Moreover, the oil miracle was to come on stream almost immediately: production increased by 24 per cent in 1977, 22 per cent last year while the officially forecast increase for this year is 31 per cent.

Oil exports rose by 115 per cent in 1977, 77 per cent last year and are officially forecast to rise by 102 per cent this year.

At the same time, Mexico's foreign borrowing has been modest by many standards. The International Monetary Fund (IMF) has limited the annual increase in the public sector's foreign debt (including short-term debt) to \$3bn, a limit which continues to apply this year. And while Mexico has borrowed several billion dollars a year on top of this to refinance maturing debt, the \$3bn limit has more or less stood.

Thus the public sector debt reached \$24.6bn last June and probably around \$26bn at the end of last year. The improvement in the maturity structure is illustrated by the fact that whereas at the height of the crisis at the end of 1978 19 per cent of the total was due to be repaid within one year, by last June the short-term proportion

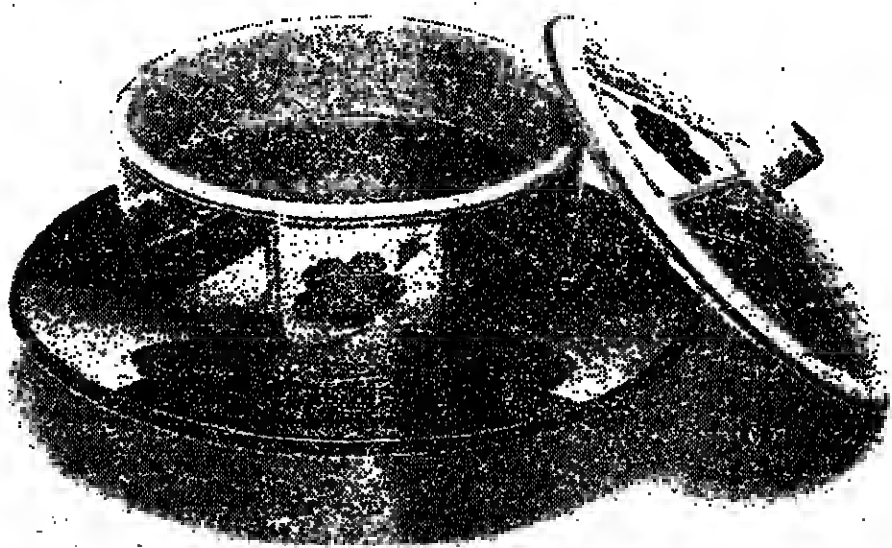
had fallen to 12 per cent.

There are no official estimates of the size of the Mexican private sector's foreign debt which was at the forefront of the 1976 problems. The best guess available is an estimate (on the basis of interest payments) by the Association of Mexican Bankers of \$63bn at the end of 1977. There is no question but that the figure has risen sharply in the past nine months.

Not least because of the very heavy investment in the oil development programme which is feeding right through industry, Mexico's real growth rate rose from 2 per cent in 1976 to 2.8 per cent in 1977 and 6 per cent last year. Forecasts for this year are for a further rise, to around 7.7 per cent. Even if it wanted to, the domestic capital market could not cope with the finance implied in these rates of growth (and, recently, the Mexican government has been draining the domestic capital market in an attempt to cut inflation). Since about the middle of last year private sector Mexican companies have turned to foreign sources of finance in a big way.

M.C.

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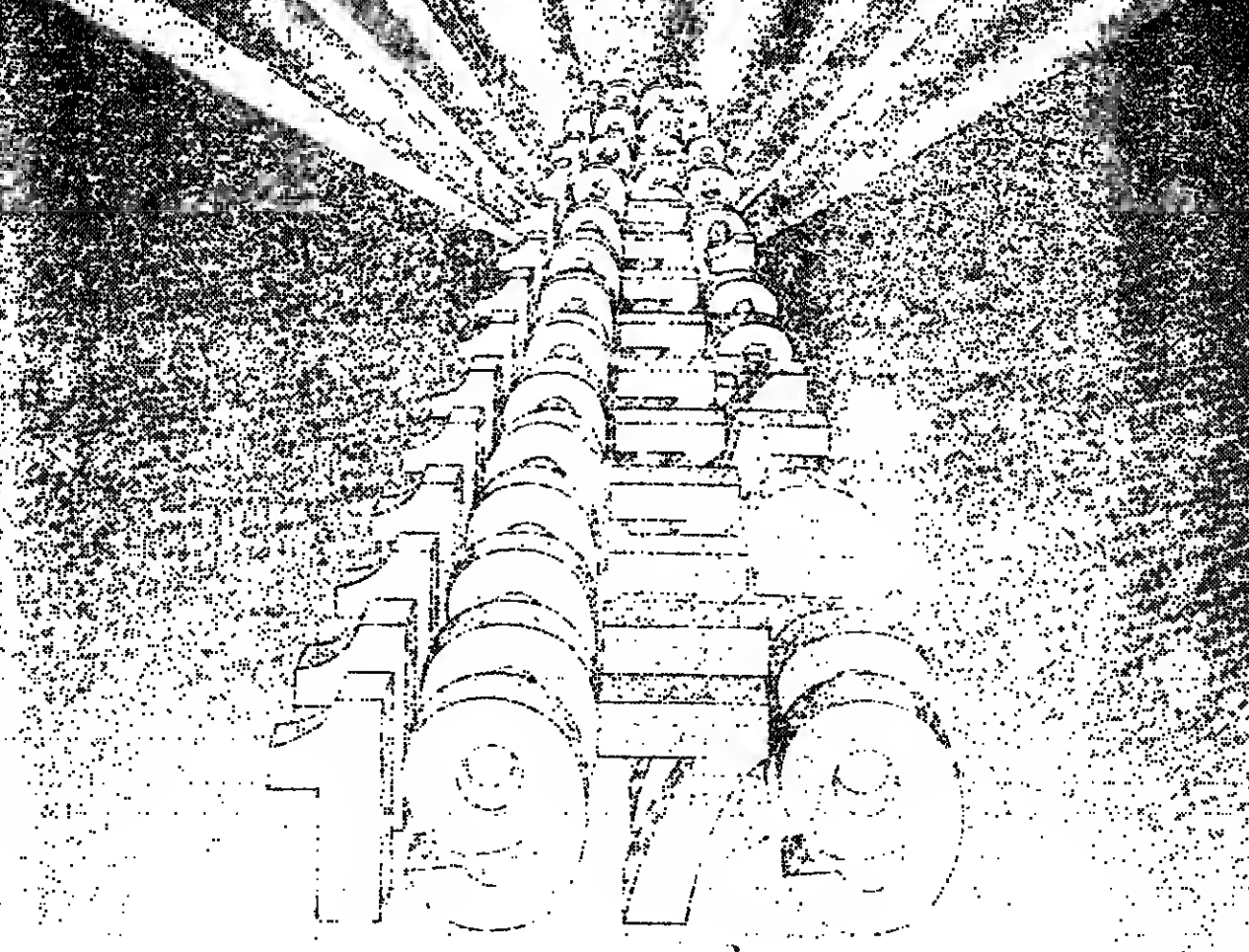
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EUROMARKETS X

Debtor nations-(continued)

Nordic countries

THE FOUR Nordic countries—Denmark, Finland, Norway and Sweden—steadily increased their use of foreign capital markets between 1974 and 1977 and all four have borrowed heavily in Eurocurrencies. Last year, however, their combined foreign borrowing levelled off, although business was still large enough to attract a constant stream of bankers to the Nordic capitals.

Over the past two years central government borrowing has grown as the hard-pressed domestic industries have curtailed investments and reduced their cash needs. To supplement the European and U.S. markets, Nordic borrowers have been seeking further afield, not only in the Middle East but also in Japan. More business is being done in recycling debt.

Norway has been by far the major borrower of the four, because of the capital needed to develop North Sea oil resources, the decline in shipping income and a government counter-cyclical policy which relied in the last resort on foreign loans. By the end of 1978 the net foreign debt was approaching Nkr 100bn (\$19.2bn) or close to half GNP. About one-third of the net debt was attributable to the oil sector and 20-25 per cent to shipping.

The growth in oil revenues and the Government economic retrenchment programme put into effect last autumn are two major factors reducing Norwegian foreign borrowing requirements. Using the current account deficit as a measure, the increase in total debt dropped from Nkr 26.5bn in

1977 to Nkr 12.6bn last year. Considerable uncertainty is attached to the current account estimates given in the 1979 national budget. These allowed for an increase to cover increased debt repayments and interest charges but the Bank of Norway currently seems to believe that demand for foreign loans will decline further in 1979 as a result of the fall in investment plans.

The growth in State borrowing has characterised Norwegian operations on foreign money markets over the past three years. The Kingdom of Norway returned to the market in 1975 when it took up loans valued at Nkr 4.4bn. Last year it borrowed about Nkr 10bn. Over the same period borrowing by the State banks rose from Nkr 500m to Nkr 4.5bn and in 1978 Statoil, the State oil company, took up Nkr 2.3bn in loans.

Central Government borrowing hit a peak of Nkr 16.8bn last year, according to the rather shaky estimates given in the national budget, it should shrink again this year to just under Nkr 13bn. One feature of particular interest to foreign bankers is that the Kingdom of Norway has borrowed at five-year terms at fixed interest rates and with no instalments payable before the principal is due. A steadily-growing share of these loans is now entering the recycling stage.

Provisional estimates for Swedish foreign borrowing this year suggest that it should stay around the Skr 10bn (\$2.3bn) level, to which it fell last year, when the current account deficit

was cut back by Skr 8.5bn to Skr 4bn. However, borrowing by the state will pick up again after a pause of several months, as restricted investment plans and the improvement in domestic liquidity will curtail industry's interest in foreign loans.

Foreign borrowing in 1978 covered the Skr 4bn current account deficit, some Skr 3bn in debt repayments and a Skr 2bn increase in the currency reserves. The remaining Skr 1bn in the estimated total medium and long-term borrowing compensated the short-term capital outflow during the year.

The Swedish State returned to the international capital markets for the first time in over a quarter of a century in 1977, when the National Debt Office took up almost Skr 9bn in foreign loans. Last year it borrowed only about 2bn, all of it taken up in the first half. In the autumn it refinanced the \$1bn loan it had arranged in March 1977.

However, the National Debt Office has already started to negotiate new loans this year. It has been looking at plans for a Swiss Franc 200m loan, a \$100m bond issue on the Japanese and European markets and a Y20bn issue in Tokyo.

The financial plan accompanying the national budget anticipated a current account deficit of Skr 5bn in 1979, foreign debt repayments only slightly higher than the Skr 3bn of 1978 and a possible increase in the short-term capital outflow which would necessitate more medium and long-term borrowing.

Interest in Denmark centres on the coalition government's efforts to bring down to reasonable proportions the current

account deficit which the country has been running for 15 years. Last year the deficit was Dkr 7.7bn (\$1.5bn). The target for this year is Dkr 6.5bn, but leading economists have already warned that the amount is likely to be considerably larger. Much depends on the result of the national pay talks between employers and unions which could spark off a political crisis in April.

Denmark's net foreign debt is more than Dkr 50bn and the National Bank's concern has been centred on the rapid growth in the interest burden. Net interest payments have grown from Dkr 1.9bn in 1976 to Dkr 3.1bn in 1977 and about 4bn last year. State borrowing has been increasing over the past two years but the Danish banking system is far more closely integrated with international capital markets than the other Nordic banks.

At the end of 1978 Finland's long-term gross foreign debt was just over Fm 35bn (\$8.75bn) and showed a net increase of Fm 3.5bn during the year. This was about 12 per cent lower than the 1977 increase. Imports of long-term foreign capital rose by over one-third to Fm 9.3bn while amortisations doubled to Fm 5.8bn. These figures reflect in part a reorganisation of debt through premature repayments replaced by more favourable borrowing.

Finland's foreign debt structure also shows an increase in the state share. Last year public sector foreign borrowing encompassed 16 bond issues amounting to Fm 3.5bn, about three times as high as the value of the 1977 bond issues. No fewer than four of the 1978 issues were in the Japanese market, totalling Y50bn.

William Dullforce

Turkey

TURKEY'S DEBT problems have been among the largest ever faced by the world community. Some \$6bn, nearly half its total debt, has had to be tidied up, rolled over or totally re-negotiated. That process is now nearly complete. But the problems remain acute. In the medium term Turkey faces the prospect of having to use almost half its export earnings to service its debt—yet already its export earnings are only equivalent to just over its bill for all imports alone. And in the short term Turkey desperately needs a massive injection of at least \$1bn of fresh money—with annual further inflows of at least that figure if growth is not to be cut back to socially unacceptable levels.

thus waged in emotive, jingoist terms.

In 1977 Mr. Demirel found it impossible politically to make the devaluation demanded by the IMF. Shortly afterwards he fell. Recently Mr. Ecevit has been having similar difficulties over the same issue. Rather than concentrate his venom on the economic mismanagement of his predecessor he has made it a matter of honour not to be seen to submit to the demands of the West. To back up his arguments he has tried to make use of the strategic importance of a stable Turkey to the Western alliance.

Only after December's developments in Iran and an upsurge in Turkish political killing which led to the declaration of martial law did the West appear to take note. In January, the Gaudeloupe summit agreed that Turkey should receive emergency aid. But two months later none of this had materialised.

OECD to co-ordinate their efforts to help Turkey. This began to look seriously at Turkey's medium-term problems.

Anger

The OECD's latest report on Turkey calls on the country to open itself to foreign investment, tourists and competition. All this would mark the end of the pattern of development which Turkey has chosen—a pattern based on import substitution, self-sufficiency and high protectionism for domestic industries. Such recommendations anger the Turks only less than do suggestions that foreign economists should be posted to Ankara to help them with their economic planning.

Sensible though some of the

recommendations may sound the Turks are in no mood for compromise. The Government believes that it has been let down on promises made to it and that, even if it were to take the measures demanded, it is not certain that aid would flow. It thus prefers not to aggravate its existing domestic problems but instead to rally its flagging supporters around the banner of national independence. This is a questionable policy—and doubly so given what happened last year when the banks most exposed in Turkey sought to raise support for a loan to Turkey without demanding that it should reach agreement with the IMF. Before long the banks found that such an approach was not viable. But still the Turkish Government prefers to seek to amend the IMF's rule book rather than fit in with its classical austere prescriptions.

David Tonge

Conflict

Turkey's problems pre-date the present government of Mr. Bulent Ecevit. The scale of them reflects the profligacy and ill-advised borrowing record of his predecessor, Mr. Suleyman Demirel. But today the difficulties which Mr. Ecevit has in solving them are in part because of issues of national prestige and in part because of the growing conflict between the West and Turkey over how it should plan its economic development.

Memories of the humiliations inflicted on the Ottoman Empire mean that the Turks have horrors of being subjected to fresh "capitulations." The debate over accepting the policies of austerity demanded by the International Monetary Fund is

On the contrary Turkey found that if any aid were to be expected it would have "unacceptable conditions," as Mr. Ecevit put it, attached.

The conditions are that Turkey should mend its fences with the IMF. In April 1978 it had agreed a \$450m stand-by credit with the Fund but by March this year was still unable to meet the Fund's criteria for it to be allowed to make the drawing due last November. The particular sticking point has been over devaluation.

Further it is now at odds with the Organisation for Economic Cooperation and Development. The Gaudeloupe Four asked the

Iran

AFTER BEING virtually incommunicado for months, the new administration at Bank Markazi, the Iranian central bank, has suddenly burst into life with a series of fulsome reassurances for foreign banks and business. In statements clearly intended to calm foreign apprehension over the future of Iran's debts, the new Governor at the central bank, Dr. Ali Mowlavi, has stated that international creditors of Iran had nothing to worry about.

There would be no nationalisation of Iranian private banks, no elimination of the foreign role in the Iranian banking system and Iran would scrupulously honour its foreign debt, he said.

Such statements have gone some way to remove foreign fears, and comments that Iran could prove to be another "Zaire" or "Turkey," with massive and apparently un-serviceable foreign debts, are now less often voiced in the international banking community.

Nonetheless, the position regarding Iran's foreign loans and, as important, the future of delayed trade payments and the host of contracts entered into by foreign business remains highly uncertain.

schedule. But this now seems a more remote option. Some rather areas give equal cause for more disquiet. For instance, some 150,000 trade transactions at one big Iranian commercial bank alone have been blocked for some months, and foreign creditors have still not received a clear idea of when payment can be expected.

Contracts

Foreign companies are also anxious about the future of their various contracts in Iran. The sharp cutback in military expenditures in many cases means that associated civil building contracts (such as the Bandar Abbas navy port) are suffering as well.

It seems virtually certain that protracted negotiations and argument will be involved when companies attempt to obtain compensation for cancelled work.

In recent days the central bank has given the go-ahead for foreign banks to return to Tehran although it is doubtful that the number of overseas banks will return to their pre-revolutionary levels.

Some 70 banks had offices in Tehran in early 1978. However, the banks were restricted to representative offices, and were barred from opening branches and soliciting deposits. This means that they will at least avoid the heavy losses suffered by many foreign banks in Beirut at the time of the civil war, when looting meant losses running into some hundreds of millions of dollars.

Foreign banks do have extensive minority equity holdings in Iranian private banks, which suffered badly during the revolution. While outright nationalisation is apparently to be avoided, foreign banks nevertheless feel that a degree of state ownership will prove inevitable.

To reconstruct fully the battered Iranian banking system, Bank Markazi — which has pledged full support for its domestic banks—will probably have to arrange mergers, as well as the acquisition of the weaker banks by the big state-owned entities, such as Bank Mellat. In this way, an effective contraction of the Iranian banking system will take place, and foreign representation simultaneously reduced.

J.E.

Financial Highlights 1978

1978 in brief	(in Flux million)
Balance sheet total	18,730
Due from banks	10,763
Securities	860
Credit volume	8,007
Due to banks	17,829
Capital	500

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Brazil

IN 1977, while every other borrower was rushing to take advantage of slack liquidity conditions to renegotiate the terms of earlier, more expensive loans, Brazil coolly ignored the trend and went on paying much higher margins over inter-bank rates than many of its foreign counterparts. The purpose of this was first to make sure of the funds for its ambitious development programme, second to build up a cushion of foreign exchange reserves, and third to push out the maturity of its foreign debt as far as possible.

Now, with total debt standing at over \$40bn and the debt service ratio as traditionally defined at over 60 per cent, it looks at a first glance distinctly vulnerable. But it has also built up a cushion of foreign exchange reserves which is unmatched among non-oil developing countries.

At \$12bn odd at the end of last year, its foreign exchange holdings are about the same, for example, as those of Iran before the crisis there broke out. Brazil's foreign exchange reserves are big enough to cover a full year's import bill and have given it the flexibility it wants in its external financial policy.

Last year the policy was changed. Although pushing out maturities remained a high priority the emphasis shifted to cutting down the level of the margins paid to the banks. The ensuing fall in these margins was one of the most spectacular in the history of the market. At the beginning of 1978, the margin payable on state guaranteed syndicated loans was over

2 per cent. Now, Brazilians are negotiating at the level of 1 per cent.

The new Brazilian Administration of General Joao Baptista Figueiredo took office after this article went to press. But with Sr. Mario Henrique Simonsen, the Finance Minister in the previous Administration, remaining in a key position bankers do not expect any sharp changes. The keynote for this year's borrowing plans was set last November when the National Monetary Council said that all future government-guaranteed loans must have a minimum maturity of eight years (instead of five) and that loans would only be exempt from withholding tax if they had a minimum maturity of ten years.

Spree

During 1978, the big borrowing spree had threatened to increase money supply extremely heavily. Indeed it was prevented from doing so only because the government introduced measures freezing conversions of these borrowings into cruzeiros. In November, the Government said that if the new maturity limits did not hold the influx of foreign funds to \$300m per month, then it would impose restrictions on the interest rates payable on foreign loans.

In practice, bankers say, the policy has been effective in its aim. It is known that Brazil intends to run down its reserves this year as a way of covering total debt service requirements of approaching \$9bn.

Philippines

THE PHILIPPINES Government shows increasing signs of being worried at the size of its foreign debt repayments and at taking on new loans. It borrowed heavily after the 1973-74 increase in oil prices, both to cover its mounting oil bill and to sustain the pace of development. Outstanding foreign debt at the end of 1978 stood at \$7.8bn.

The borrowing was undertaken on the assumption that export earnings would rise fast—at a rate of 17 per cent a year according to the current five-year plan. But in the first nine months of 1978 export receipts climbed by only 3 per cent (the fault mainly of a decline in sugar exports) while imports rose by 22 per cent. The trade deficit thus more than doubled to \$916m. This year the import bill will be further swollen by the rise in oil prices. In consequence the debt servicing ratio has been rising sharply. On the Government's criteria it stood at 17 per cent in 1978, but debt service payments as a proportion of export earnings were over 25 per cent.

The Central Bank's calculations on the basis of medium and long term credits already contracted by the end of 1977 was that repayments would rise to \$1bn in 1979 and \$1bn in 1980 before declining to \$819m in 1981. By comparison export earnings in 1977 were \$3.2bn.

Last year new commercial borrowings abroad under an IMF-imposed ceiling reached \$50m. This year the Government has set a ceiling marginally above \$5bn, but it is no

longer subject to the strict monitoring of the IMF's extended fund facility programme which expired in November. While the new ceiling suggests that the Central Bank is still being cautious, there are signs that the Government is making more use of leaseings and export finance which is not necessarily covered by the ceiling. Philippine Airlines has recently purchased aircraft through leasing finance arrangements.

Of the \$1bn that the public or private sector might borrow this year in fixed term credits, \$250m was raised last month through a syndicate led by Manufacturers Hanover. The loan is over 10 years at 1 per cent above Libor. Morgan Guaranty are the lead manager in a further loan for \$150m now being syndicated for the Central Bank and Chemical Bank are arranging a further \$100m—both on similar terms.

The Central Bank has also renegotiated a \$525m stand by credit under which \$325m had been available up to 1981 will now be available up to 1983.

While President Marcos's recent warnings about protectionism in the West and rising oil prices reflect continuing worry about the trade account, on the plus side is that the foreign exchange reserves in September still stood at a high \$1.9bn. The Central Bank also has a reputation for cautious management of the country's overseas borrowing programme which has boosted its credit rating.

David Housego



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EUROMARKETS XI

Britain

BRITAIN HAS undertaken a long restructuring of its foreign official debts over the 18 months, following the revival of foreign market confidence in Britain which began in 1977. This has allowed both the repayment of large amounts of debt and new borrowing.

The restructuring was made necessary by the vast scale of borrowing from the Euro-markets, from other governments (including Iran) and from the International Monetary Fund undertaken between early 1970s and early 1977 finance the large, continuing current account deficits and big budget outflows.

The result was that after long had been stabilised in 1976 and early 1977 Britain faced with debt repayments of \$20bn by the end of 1984, in \$11.2bn concentrated in 1981.

On the face of this repayment programme in the early 1980s, the Government had a potentially upward-sloping economic policies. To repay all the debt

from current account surpluses would imply very tight domestic policies, while merely refinancing it with borrowings from the surplus countries would ignore market realities.

Indeed, the Bank of England argued that while there was scope for new borrowing it was necessary to provide for a net reduction in debt on a scale that was appreciable in relation to maturing obligations, partly to retain market confidence. This made it desirable for the current account to remain in surplus.

In the event, while the current account surplus has not been nearly as substantial as the Bank at least had hoped, the Government's policy has been to combine net repayment of debt year by year with new borrowing to spread the maturities. This has been met from the official reserves which, even now, are ample at \$20bn following revaluation of the gold content.

This policy was inaugurated in the autumn of 1977, last year the UK repaid \$4.7bn of foreign

currency borrowings, of which all but \$1bn was well in advance of the due dates. Roughly \$2bn of these early repayments formed part of the UK's borrowings from the IMF, but most of the rest were loans raised from the market by nationalised industries and other public corporations under the exchange cover scheme.

In 1978, new borrowing of about \$2.5bn was arranged, as part of a programme of continuing fund-raising, some came from various EEC institutions, such as the Coal and Steel Community and the European Investment Bank, but the UK also tapped the Euro-markets with, for example, a \$500m loan from a syndicate of Japanese banks for the Electricity Council. And the terms of the Government's own \$1.5bn loan raised in early 1977 were changed with a lengthening of the maturity dates.

But possibly the most interesting move was announced in April: that the UK was entering the Yankee bond market in New York by raising \$350m via seven- and 15-year bonds. This was disclosed by Mr. Denis Healey, the Chancellor, during his Budget speech when he said

Peter Riddell

France

FRANCE RAISED \$3.1bn in indicated credits and international bonds last year, a 20 per cent decrease on the figure of 1977, \$4.2bn. This year's figure could be even lower if the targeted current account surplus turns out to be true.

The features of French borrowing did not markedly change last year: getting the terms available remained the mark of the French Treasury's approach to the market, the bargain of many bankers but the obvious benefit French borrowers.

Bankers continue to complain at the "forteresse de la Rue Rivoli" as the all-powerful ministry of the Economy is now in Paris, behaves like a smug, while the band of senior Treasury officials in charge of the debt and borrowing insist there is nothing sinister in their making sure that France gets the best terms available.

Rather than the pursuit of a high volume of fresh money, next few months could witness some tough negotiations on existing loans as the Treasury attempts to stretch maturities and bring down yields and commissions further. In this respect French officials will not be behaving differently from a string of officials in financial ministries across the industrial and less developed world.

French borrowers have not changed in recent months: the handful of state companies such as EDF, Gaz de France and CNET remain the flag bearers of the public French loan, which is not borrowed in its own name. (It did do so once, back

in 1974, when in the wake of the increase in oil prices it arranged a \$1.5bn credit line which in the event was never drawn upon.)

The same state companies—EDF and CNET being the most well known—continue to compete in raising funds. Breaking the 2 per cent barrier was one of the great achievements of the year. Breaking the 3 per cent barrier has just been achieved by CNET, in yet another world premiere. This had only been done in private deals up to now but not in public ones. Prestige certainly comes in here, but bankers will understandably frown when such a breach is made publicly as they can expect a string of other borrowers, not least from the UK, to point out that their credentials are quite as impeccable as any France can produce.

Despite its continuing borrowing programme, France remains among western industrial countries one of the least indebted, both domestically and internationally.

Indicators of the push to maintain the excellent credit rating of the Republic are deeper reasons: first, no one has forgotten the "poor relation" status France had acquired by the end of the Fourth Republic in 1958.

More practically French state company treasurers have to point out that heavy repayments will have to be made in the years to come and more money raised. The needs of the likes of EDF in the next few years are very considerable, so it is only natural that the Treasury should strive, maybe

somewhat aggressively, to maintain France's status as a borrower.

EDF could have broken the 3 per cent spread barrier when it raised a \$600m back-up line for U.S. commercial paper last October, but it refrained from doing so. A number of German and Japanese banks had indicated they would not wish to participate in a loan to EDF which included such a low spread. EDF and the lead manager of the facility, Credit Lyonnais, were both keen to ensure that a good number of

F.G.

Peru

PERU, BOTH economically and politically, has stood up to the intense strains of the past year much better than anyone had a right to hope.

Last year the government of Gen. Francisco Morales Bermudez was unable to meet its debt obligations. Foreign suppliers and lenders were undergoing long waits for their money and the possibility of very deep recession looked certain, to provoke intense political problems as the International Monetary Fund demanded severe deflation as a price for its help.

The past few months have indeed been traumatic. Those sectors of the country's labour force sufficiently organised to make themselves heard, such as the miners, have demonstrated and gone on strike. The non-organised majority has just had to sit through the recession comfortably. But the political balance has not been overturned so far and the elected assembly, almost miraculously, is still at work on a new constitution under which the military will surrender power to a civilian government.

Economically, the situation has been changed by the IMF's decision to continue lending to Peru. This fact left the door open for a renegotiation of Peru's foreign commitments and the reduction of the country's ratio of debt service to export earnings from near 60 per cent to about 30 per cent.

The severe limitation of imports coupled with better prices for copper and a big effort to promote Peru's non-traditional exports, such as textiles, produced a big turnaround in the trade balance. From a

deficit of \$438m in 1977 the balance jumped, back into the black last year to the extent of \$300m. The exchange rate has exploded upwards to reach more than 200 Sol to the dollar.

Mr. Javier Silva Ruete, the Finance Minister, is now beginning to attract new foreign investment to Peru, reversing the policies that the military have followed since they took power in late 1968.

The outlook for Peru, therefore, should be one of continued economic improvement, simply because things could hardly have got any worse. According to the latest figures from the Banco Continental, sales of cement and structural steel are no more than 90 per cent and 81 per cent respectively of the 1977 level, figures which testify to the severe blows which have been delivered to the building industry in particular.

With a continuation of the rise in the copper price, the big oil discovery announced last month and a sustained brake on imports, the Peruvians will be unlikely to do any worse on their trade balance this year than they did last. Peru is now a small net exporter of crude oil and fully shielded from the oil price rises which are hitting Central America, Brazil and other Latin American countries so hard.

Peru's prospects are brighter than they have been for some time and this should be reflected in a trek back to Lima by many of the bankers who got such a fright last year.

Hugh O'Shaughnessy

Nigeria

AFTER SIGNING two agreements within the space of a year for Euroloans worth \$1.75bn, Nigeria now seems unlikely to try to tap the Eurocurrency market for further "jumbo" loans in the immediate future.

Faced with a highly ambitious development plan, mounting balance of payments difficulties and a very low debt servicing ratio, Nigeria turned to the Eurocurrency market and signed for a \$1bn Eurocurrency loan in January last year.

An attempt to raise an additional \$1bn on the Euromarket ran into a mass of administrative, legal and other complications. Finally, Nigeria late last year reached agreement on a \$750m Eurocredit (fully drawn down in January) and followed this up last month with a loan package amounting to \$1.26bn with a group of German and Austrian banks for the financing of a specific steel project.

In advance of the 1979-80 Nigeria budget, due at the beginning of April, official sources in Lagos are reluctant to spell out details of Nigeria's latest borrowing plans, but they suggest that the country has no immediate plans for any more big Euro-market loans, while not ruling out the possibility of some specific project borrowings.

The problems and attendant publicity surrounding the \$750m "jumbo" seems likely to be one contributory factor making Nigeria reluctant to tap the market again.

Another is the improvement

in the country's balance of payments position in recent months, thanks in part to some stringent controls on imports and in part to a rapid rise in Nigeria's oil production, now running at record level of 2.4m barrels a day. Officials expect oil sector earnings (which account for over 90 per cent of export receipts) to amount to at least Naira 7.5bn in calendar 1979, compared to N5.6bn last year and N6.3bn in 1977.

It will take some time for the effects of higher oil sector earnings to work through the economy and in the absence of up-to-date balance of payments figures it is difficult to assess the extent of Nigeria's short-term financial needs. But the position certainly seems substantially more manageable than six months ago. A run on the country's foreign exchange reserves was halted in the latter half of last year and should now be being reversed.

Another factor making the Government reluctant to enter the Eurocurrency market again is political. Nigeria's military administration is scheduled to hand over power to a civilian Government on October 1 next and does not want to build up further substantial international debts before then. Already some civilian politicians have criticised the present Government's international borrowing programme and the military will be keen to minimise any further controversy on this score.

Martin Dickson

Canada

CANADIAN ECONOMISTS expect their country to run a current account deficit of 4.7bn (about US\$3.9bn) this year which will have to be used by foreign borrowing.

The deficit forecast is marginally better than that for 1978, caused by an improving merchandise account. The tourist count, once a cause of considerable concern, seems to be being under control as a result of the revaluation of the Canadian dollar since 1976. However, net tourist spending in 1978 still did widen from 1.6bn in 1977 to \$2.7bn in 1978.

There is nothing unusual about Canada importing long-term capital to balance its external accounts: over the years the current deficit to be covered has not varied greatly, even expressed as a proportion of GNP. In spite of a certain amount of political argument, economists foresee no difficulty borrowing the requisite amounts this year.

Last year Canadian long-term borrowing abroad other than the borrowing of the federal Government in Ottawa came to about \$3.5bn. This year a somewhat higher amount is likely to result. The borrowings in 1978 were done as follows: provincial governments and utilities \$950m; municipalities \$850m; separate bodies \$1.55bn.

For balance of payments reasons the federal Government itself borrowed \$85.6bn abroad, including drawings of \$38bn on lines of credit provided by Canadian and foreign banks. This year's amount might well be higher but the volatility of short-term capital flows makes it difficult to forecast how much will be needed. Last year there was a net outflow of \$3bn under this heading, even though the Canadian monetary authorities have kept administered interest rates above those prevailing in the U.S.

Since about the turn of the year the Bank of Canada has also been pushing up long-term interest rates in defence of the dollar by becoming a net seller of Canada bonds. That could encourage provincial and corporate treasurers to switch some of their borrowing from domestic to foreign sources. The spread may be large enough to make that appear sound, but the exchange rate risk may prove a deterrent.

Not that there is much

W. L. Luetkens

CANADA'S EXTERNAL PAYMENTS

(Selected estimates—C\$bn)	1978	1979
Merchandise trade	+3.5	+4.0
Invisibles	-8.7	-8.7
Current account	-5.3	-4.7
Long-term capital	+4.5	n.a.
Short-term capital	-3.0	n.a.



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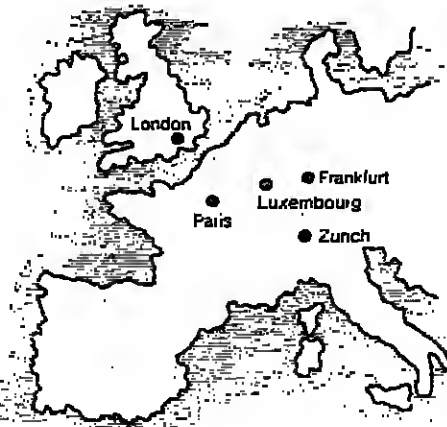
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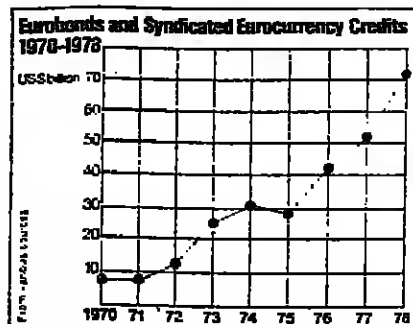
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SOCIETE GENERALE

North Africa

THE THREE North African countries—Algeria, Morocco and Tunisia—are well known customers of the international banks, the first being by a long stretch the most important raiser of funds. In 1977 Morocco had been a more active borrower than its eastern neighbour but last year the situation was reversed.

Algeria increased its borrowing more than threefold in 1978 and emerged for the first time since 1973 as the largest borrower within the Organisation of Petroleum Exporting Countries (OPEC). It raised \$3.2bn in the financial markets, of which bonds accounted for \$2.1bn. To this overall figure should be added the large sums raised in the form of export credits from most of the major industrial countries.

Algeria borrowed more than its immediate needs dictated last year. The explanation would appear to be twofold. First, it was able to get much finer terms than hitherto on the syndicated credits it arranged. Secondly, some in Algiers fear a tightening of liquidity in the financial markets later this year. Sonatrach alone has funding requirements which are very heavy this year (\$3.2bn) and thus has to ensure it has access to fresh money.

The better reception afforded to Algeria in the market is partly explained by the report which the State Oil company Sonatrach, working with Bechtel Corporation, a major U.S. contractor in the gas liquefaction industry, made public last spring. It included detailed production and export projections of Algeria's oil, liquefied natural gas and other derived products up to the year 2005. Financial projections, including debt figures and anticipated income, were also included. The

psychological impact of this document was considerable; all the more since Algeria has not been noted in the recent past as providing easy access to information.

Even bankers who harboured few fears about the ambitions of the country's economic planners were relieved to be given such data. The timing was important as the gas liquefaction programme will absorb considerable amounts of capital in the next few years: income will build up but with a two-or three-year time lag.

Another event which cheered bankers and companies alike was the opening of the first major liquefying natural gas plant in Arzew, known as LNG1, a year ago. Building had long been plagued with difficulties and delays. The plant has been operating without major snags since and the progress on the building of the LNG2 plant is proceeding smoothly. The LNG3 plant has recently been commissioned, to be financed by a \$1bn package put together essentially by French banks and Coface.

This large package opened the 1979 calendar of Algerian borrowing, which can be expected to top the \$3bn mark if ex-ante credits are included. While banks are willing to finance Sonatrach projects some have expressed reticence about financing such social developments as housing; however, especially if an organisation like Coface confirms that it is willing to provide a guarantee to the banks.

The importance of the lead ex-ante organisations can provide for major credits lies in the reassurance they can give to banks, they will offer the longer maturity fixed interest rate money while the banks will provide the shorter maturity

floating rate of interest money. This formula has been used successfully with Canadian banks, French banks and Italian banks. It is likely to be repeated.

Algeria's bankers and the country's central bank have also over the past 15 months taken a series of measures which ensure a more orderly approach to the market. Nearly two years ago a committee was set up in Algiers with a brief to ensure that the numerous approaches made to international banks by Algerian State companies were better co-ordinated. In particular Algerian borrowers were not to approach foreign banks, even on a tentative basis, without the prior knowledge and approval of one of the four banks in Algiers, part of whose job it is to maintain contact with foreign banks.

Another measure which helped the Algerians improve the terms on which they were able to borrow was the reduction of the volume of "a priori" paper issued by Algerian borrowers. The higher rates paid to bankers who sought such paper as compared with the return available to them if they participated in a syndicated credit seems to have kept the spreads on the loans at a higher level than they need have been.

By comparison, the amounts raised by the other two North African countries remained modest. Morocco reduced its borrowing; it arranged \$805m-worth of credits as compared with \$778m the year before and continued to raise bonds denominated in various currencies. The major Moroccan borrowers, the Kingdom, the phosphate company, Office Cherifien des Phosphates both succeeded in improving the terms on which

they could raise money. Morocco will probably prove a reluctant borrower this year. The austerity measures announced last year are reducing the volume of imports while exports are being strongly encouraged. The economic development plan was also scrapped and replaced with a three-year contingency plan.

Until the country's balance of payments deficit has been further reduced, Morocco will not want to come to the market too often.

Tunisia continued to borrow small amounts and maintained its status as a borrower. As with the other two countries it succeeded in improving the terms on which it could raise money.

F.G.

Argentina

ARGENTINA HAS made a remarkable financial recovery since the military regime of Gen. Jorge Videla seized power from the government of Sr. María Estela Peron three years ago this month.

Foreign exchange reserves, which had almost run out just before the bloodless coup, have now rocketed to a record total of over \$6bn. The current account balance of payments has returned to healthy surplus, chalking up a plus of \$2.1bn last year. And foreign banks, which were wary in the extreme of lending to the previous regime, have been practically queuing up to supply funds, especially for Argentina's ambitious long-term hydro-electricity and infrastructure projects.

Last year the country raised \$1.46bn in syndicated credits, up from \$849m in 1977 and a mere \$72m in the chaotic year of 1974. State-backed borrowers have returned to healthy surplus, chalking up a plus of \$2.1bn last year. And foreign banks, which were wary in the extreme of lending to the previous regime, have been practically queuing up to supply funds, especially for Argentina's ambitious long-term hydro-electricity and infrastructure projects.

Yet all is not completely well with the country's economic fortunes. The principal worry of foreign bankers is that inflation is still not down to anything like acceptable levels. The rises in prices was put officially last year at 169.8 per cent, 9 per cent more than in 1977. This was a sharp set-back for Sr. José Martínez de Hoz, the Economy Minister, who had confidently forecast that diligent pruning of the budget deficit would reduce inflation to double figures by the end of 1978.

Though Sr. Martínez de Hoz, the mastermind of the country's economic revival, has succeeded in bringing the rate of price rises down from the annual figure of some 350 per cent before the military takeover, there is a feeling among foreign bankers that the Government's anti-inflation policies have now somewhat run out of steam. The surge in prices last year was partly caused by the country's very success in attracting large inflows from abroad. Consequently, there has been some confusion over the motive for the central bank's recent lifting of restrictions on foreign

DESPIITE ITALY'S current protracted Government crisis, the lira has so far not come under any significant pressure on foreign exchange markets and the country's general economic outlook, in the short term at least, appears buoyant.

Italy has just returned a balance of payments surplus in 1978 of some L6,900bn and is expected to report a surplus in its trade account last year for the first time since the war. Official foreign currency reserves exceeded \$10bn at the end of December against around only \$1bn at the beginning of 1976, when the authorities were forced to close down temporarily the foreign exchange market in another political crisis.

In the face of the recovery of the country's payments position and the steady increase of net official reserves standing at the end of last year at \$25.2bn, the country has effectively been paying back before schedule some of its official borrowing repayments to the International Monetary Fund and the European Community. Indeed, the medium- and long-term debt position of the Bank of Italy has dropped from \$5.5bn at the beginning of last year to \$1.5bn at the end of last December.

The current level of the official foreign currency reserves reflects to a large extent expanded borrowing by the Italian banking system during the last two years. The banking system's net short-term indebtedness was less than \$500m two years ago and rose to \$7bn at the end of last July, although it has subsequently slightly dropped to \$5.6bn at the end of last December.

At the same time, State sector and private groups have also been increasingly turning in the last two years to medium-term Eurocurrency borrowings which are currently estimated to total some \$9bn. If this figure is added, Italy's overall foreign indebtedness, including short-term borrowing by the banking system and official borrowings with the IMF and the EEC, now stands at about \$16bn.

Indeed, after an absence of some years, Italy returned two years ago to the Euromarkets as the so-called "Italian risk" disappeared. The Italian State medium-term credit institute, Istituto Mobiliare Italiano (IMI), effectively led the way back with a \$200m issue, although the one and three-eighths margin over LIBOR on the issue still reflected some measure of concern over the Italian risk.

Subsequently, however, an increasing number of Italian

State agencies and private groups have negotiated more favourable rates. Last October, for example, Ferrovie dello Stato, the Italian State Railways, negotiated a \$200m seven-year loan with an initial spread of five-eighths per cent over LIBOR for the first two years.

This is one of the lowest spreads obtained by an Italian official borrower since 1973, indicating both a borrower's market and a progressive reassessment of the Italian risk compared with other international borrowers of equivalent standing. For the remaining five years of the loan, the spread rises to three-quarters per cent over LIBOR.

Another example is the \$100m eight-year loan obtained by the mechanical engineering and electronic group Olivetti last November. Interest on the loan was set at three-quarters per cent over LIBOR for the first four years and seven-eighths per cent for the last four.

Apart from the reassessment of the Italian risk, the country's increased activity in the Euromarkets also reflects the markets' high liquidity. None the less, Italy is enjoying improved international confidence.

In large measure, the main purpose of Italian Euromarket fundings are either to balance sheet financing to help companies consolidate their financial position, for export financing, or for specific investment projects, particularly for overseas ventures like the State hydrocarbon agency ENI's participation in the construction of a natural gas pipeline linking Algeria to Italy.

But despite the significant improvement of Italy's payments situation, the continuing stability of the lira, signs of a recovery in industrial production after a two-year recession, concern is growing in the country as inflation threatens to rise again. At the same time there are still no signs that the trade unions will moderate wage claims in the course of the current round of renegotiations of national labour contracts involving some 10m union members.

And in the present climate of political uncertainty, with the increasing risk of an early general election, the outgoing Government's attempts to introduce a wide-ranging three-year economic recovery plan to tackle the fundamental structural weaknesses of the Italian Economic system is now effectively in cold storage.

Paul Betts

Indonesia

INDONESIA was the first major country to send quivers down Euromarket bankers' spines when the state oil company Pertamina all but defaulted in 1975. By now it has become virtually a model borrower. Like all other countries, Indonesia still has its contretemps with international bankers—the on-off financing for Garuda airlines' purchase of Boeing aircraft last year was troublesome. But in all fundamental respects it is regarded as sound.

The basic balance of payments position is that despite its oil exports, the country habitually runs a small current account

deficit each year (projected to reach the historically large figure of \$1.2bn during the current 1978-79 fiscal year). Capital imports usually turn the current account deficit into a small overall surplus.

Although Indonesia has long since paid off the International Monetary Fund, the World Bank's influence continues and government policy is to keep a tight rein on the debt service ratio. With \$1.4bn of total debt service in 1977-78, its debt service ratio was around 18 per cent. The policy is that debt service is not to go above 20 per cent of net earnings from merchandise exports.

By June last year the overall size of the public sector's (including Pertamina's) medium-term debt was nearly \$12bn, up from \$11.4bn in December, 1977, and \$10bn a year earlier still. On top of this the country may be assumed to have some short-term and private sector debt. Though no estimates of either are available, to judge from the Bank for International Settlements' figures on bank lending to all entities in Indonesia for all maturities, the total amounts involved here cannot be large by comparison with the \$12bn figure above. The majority of Indonesia's debt is owed to other governments on a bilateral basis.

Against this, foreign exchange reserves were \$2.6bn at the end of last year. The major developments last year in Indonesia's relationship with the international banking community were restructuring of the debt the Government had taken over from Pertamina and the beginning of the financing of the new five-year plan.

The restructuring, again arranged by Morgan Guaranty, cut the cost and pushed out the maturity of the original funding operation. It totalled \$573m and paid margins over inter-bank rates of 1½ per cent for a final seven-year maturity.

Like other borrowers, Indonesia profited from the general fall in margins and lengthening of maturities on Euromarket syndicated loans last year. By the last quarter it was negotiating a \$300m ten-year loan paying margins of ½ and ¾ per cent, for five years. Lead managers here were Manufacturers Hanover and Toronto Dominion.

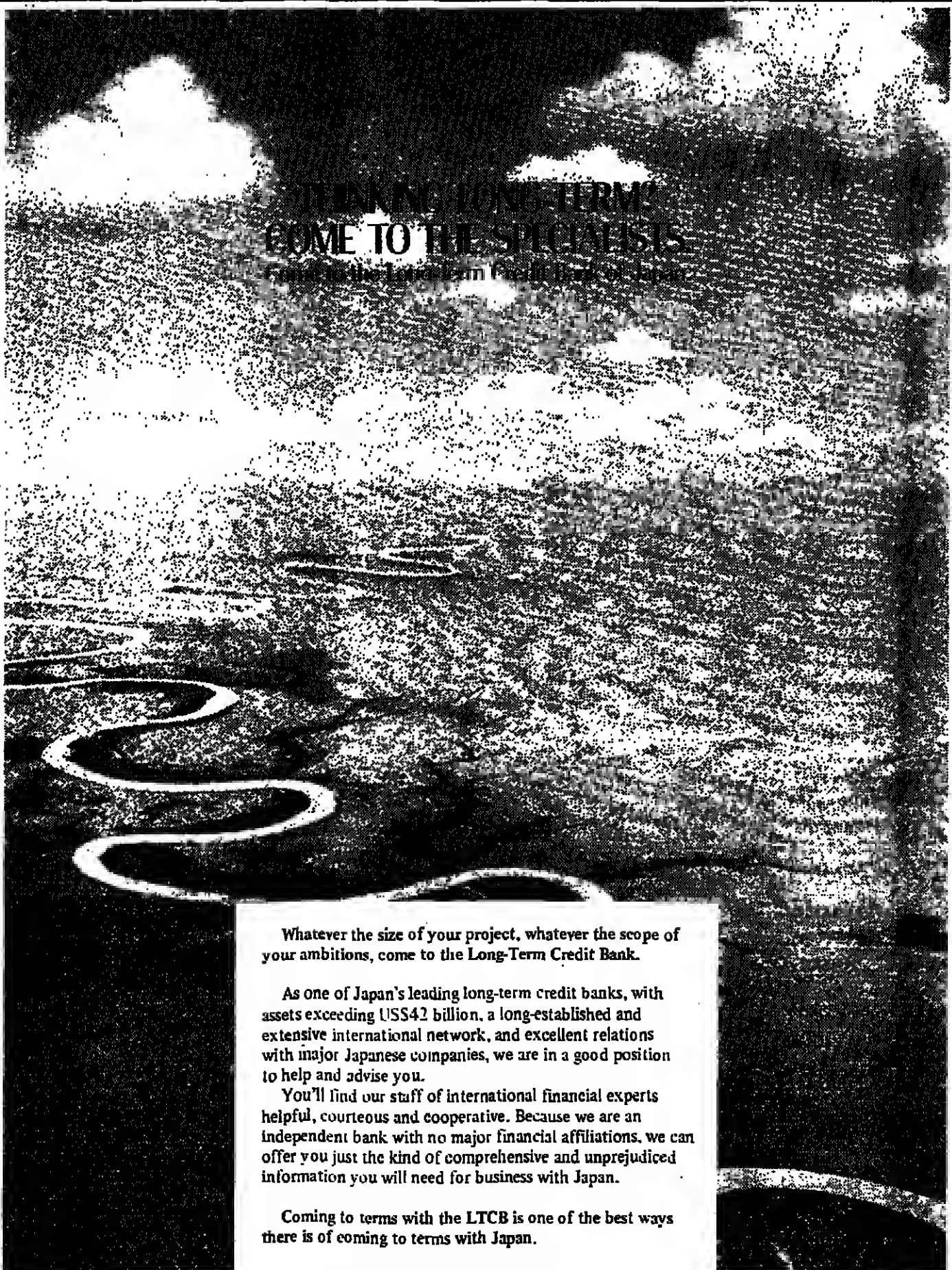
Currently in the course of being finalised is financing for the new stage of the Krakatau steel plant. One of the biggest casualties of the Pertamina crisis, this steel project is now being put together again. The German group Ferrostaal is the main contractor for the latest stage—a hot-steel rolling mill. It involves about DM 1bn worth of foreign financing altogether. This financing, being provided by Deutsche Bank, includes a commercial credit of about DM 330m with a large element of Hermes-guaranteed credit too.

Negotiations on the next and most profitable stage of Krakatau, which could involve a joint venture between the government and other interests, are expected to start in earnest in the middle of this year.

Other major projects which may need financing in the next few years include development of the Badak and Arun natural gas fields (at Badak a letter of intent was signed in the middle of last year with a group of Japanese contractors who would be responsible for the \$500m-plus financing); the \$700m Dumai project for a plant to convert Indonesia's heavy oil into something usable; and the \$1bn-plus Bukit Afan project to rehabilitate and expand a state-owned coal mine. This project, which is not quite at the tendering stage, is currently being reviewed by the World Bank.

Also being studied by the World Bank is the government's intention, recently announced to its new five-year plan, to vastly increase the transmigrasi programme under which it helps finance families to move from overcrowded Java to other islands. If it materialises, the government could well look for foreign commercial bank funds as well as World Bank loans for this.

M.C.



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St-Gobain confirms setback

By David White in Paris
ET PROFIT last year at Saint-Gobain-Pont-a-Mousson, France's...

Sharp advance for Swedish builder

By VICTOR KAYFETZ IN STOCKHOLM
BALKEN, the Swedish construction group, more than...

Wheelock in property venture

By Anthony Rowley in Hong Kong
WHEELOCK MARDEN, the major trading house, and...

For the convenience of readers the dates when some of the more important company dividend statements will be expected in the next few weeks are given in the following table.

Table with columns: Date, Announcement last year, Announcement next year, Stock, Dividend, etc.

EQUITIES table with columns: Issue, Price, Dividend, etc.

FIXED INTEREST STOCKS table with columns: Issue, Price, Dividend, etc.

"RIGHTS OFFERS" table with columns: Issue, Price, Dividend, etc.

Peru arranges Euroloan

By John Evans
THE PERUVIAN state oil company, Petroperu, is arranging...

Petronas absorbs South China Sea concession

By WONG SULONG IN KUALA LUMPUR
PETRONAS CARIGALI, the exploration and production subsidiary...

Prime rate up in Hong Kong

PRIME LENDING rate in Hong Kong was raised yet again on Friday...

CLIVE INVESTMENTS LIMITED

Table with columns: Investment, Value, etc.

BASE LENDING RATES

Table with columns: Bank, Rate, etc.

CURRENCIES, MONEY and GOLD

EMS starts without fuss

By COLIN MILLHAM
The European Monetary System made its long awaited start...

THE POUND SPOT AND FORWARD

sterling down, with the pound easing to \$2.0305 on Friday...

GOLD

Table with columns: Gold Bullion, Gold Coins, etc.

CURRENCY RATES

Table with columns: Currency, Rate, etc.

THE DOLLAR SPOT AND FORWARD

Table with columns: Dollar, Rate, etc.

OTHER MARKETS

Table with columns: Market, Rate, etc.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, etc.

LONDON MONEY RATES

Table with columns: Term, Rate, etc.

MONEY RATES

Table with columns: Term, Rate, etc.

INSURANCE BASE RATES

Table with columns: Insurance, Rate, etc.

CORAL INDEX: Close 511.516

Sime Darby

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Home Office looks at private security

THE HOME OFFICE has just published The Private Security Industry, a discussion paper (obtainable from H.M. Stationery Office price 80p) which has been sent to a number of interested organizations...

Two new Wilkinson Match directors

Mr. George Williams and Mr. Tom H. Vogel have been appointed non-executive directors of WILKINSON MATCH since 1975. Mr. Williams has been director-general of the UK Offshore Operations Association...

WORLD STOCK MARKETS

Table of World Stock Markets including NYSE ALL COMMON, EUROPE, AMSTERDAM, BRUSSELS/LUXEMBOURG, SPAIN, COPENHAGEN, STOCKHOLM, VIENNA, GERMANY, SWITZERLAND, AUSTRALIA, JOHANNESBURG, TOKYO, HONG KONG, and BRAZIL.

Public Works Loan Board rates

Table showing Public Works Loan Board rates for various terms and interest rates.

TEL AVIV

Table of Tel Aviv stock market data including various companies and their share prices.

WALL STREET

Table of Wall Street stock market data for various companies, including prices and changes.

NEW YORK

Table of New York stock market data for various companies, including prices and changes.

CANADA

Table of Canadian stock market data for various companies, including prices and changes.

MILAN

Table of Milan stock market data for various companies, including prices and changes.

INTERNATIONAL CAPITAL MARKETS



INTERNATIONAL BONDS

BY FRANCIS GHILES

New dollar issues re-appear

THE EUROPEAN Monetary system was inaugurated last week amid a string of apparent paradoxes. The only EEC member currency which stayed out...

Swedish business systems and publishing company, Esselte. The conversion premium on the Esselte bond is expected to be between 5-7 per cent. The shares stood at Skr 302 1/2 last Friday.

amounted to about two-thirds of the total. Union Bank of Switzerland acknowledged the poor performance, the first time this degree of undersubscription is believed to have been admitted for a foreign bond.

with the equivalent period in 1978). At the same time, the scope for further appreciation of the Swiss franc seemed limited. The borrowers were having it both ways.

in secondary market trading and recovered last Friday to 97. Other newly traded issues fared much worse. The Osterreichische Kontrollbank 3 1/2 per cent 12-year bond which was priced at 99 1/2 to 93 1/2 in early trading but had only recovered to 98 1/2 by Friday.

MEDIUM-TERM FINANCING

BY JOHN EVANS

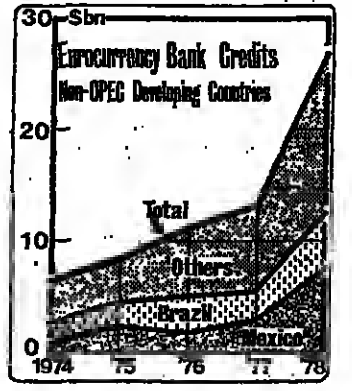
Applying the brake

AZIL and Mexico, which are together responsible for nearly half of the total \$26.8bn Eurocurrency bank loans issued by developing countries last year, appear to be putting the brakes on their foreign currency borrowing.

with such high-cost facilities. Mexican Eurocurrency credits now command margins in the region of 1 per cent for much longer maturities. Additionally, documentation for the current \$600m loan for the Mexican electricity agency, CFE, makes reference to the fact that this is to be the last syndicated Eurocredit from the Mexican public sector in first-half 1979.

Brazil's banks may be restricted in the amounts they will be able to lead to the Brazilian Government and foreign companies based in the country. Bankers also expect that Brazil will run down its foreign currency reserves fairly sharply this year—another technique for reducing borrowing.

THE MATURITY structure of dollar certificates of deposit (CDs) issued by London banks shifted markedly between August and November last year. At the long end the shift was out of line with changes in the maturity structure of bank deposits generally.



EURO-CDS

Maturity changes

BY MARY CAMPBELL

Correlations with overall deposit figures (which include CDs) do indeed suggest that the Japanese were responsible for the increases in issues with a maturity of at least three years. But although they raised the value of their deposits with maturities of between one and three years by \$406m between August and November (in proportion to their total deposits) deposits at their maturity actually fell.

CURRENT INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, m. Amount, Maturity, Av. life years, Coupon %, Price, Lead manager, Offer yield %. Lists various international bond issues from U.S. Dollars, D-Marks, and Sterling.

U.S. BONDS

BY DAVID LASCELLES

Setting a firm course

HAVING SPENT last week in something of a lull, the U.S. bond markets should set a firmer course this week as the state of the economy becomes clearer and a major benchmark issue goes on sale.

Correlations with overall deposit figures (which include CDs) do indeed suggest that the Japanese were responsible for the increases in issues with a maturity of at least three years. But although they raised the value of their deposits with maturities of between one and three years by \$406m between August and November (in proportion to their total deposits) deposits at their maturity actually fell.

More telling was the sharp drop in February housing starts to an annual rate of just over 1.4m units, the lowest for nearly three years, and the Fed's announcement that industrial output rose only 0.3 per cent in February.

FT INTERNATIONAL BOND SERVICE

Large table containing bond market data including columns for 'DOLLAR', 'YEN STRAIGHTS', 'OTHER STRAIGHTS', 'EUROBOND TURNOVER', 'FLOATING RATE', 'CONVERTIBLE', and 'WISS FRANC'. Includes sub-sections for 'BONDTRADE INDEX AND YIELD' and 'EUROBOND TURNOVER'.

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Landesbank Rheinland-Pfalz logo and detailed financial data table showing assets, liabilities, and building society figures for 1978 and 1977. Includes text: 'Preliminary figures for 1978.' and 'The list shows the 200 latest international bonds for which an adequate secondary market exists.'

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

TODAY COMPANY MEETINGS: Derby Trust, Portman Hotel, Portman Sq., London W1C 2JH. ... DIVIDEND & INTEREST PAYMENTS: ... TOMORROW COMPANY MEETINGS: ...

Country 7 1/2% Bds. Red. (21/5/78) ... BOARD MEETINGS: ...

Offer by The Woodbridge Company Limited and Thomson Equitable (International) Limited

to holders of ordinary shares of Hudson's Bay Company to purchase 11,785,000 (51%) of the outstanding ordinary shares at a price of \$31.00 (Canadian) per share

In respect of ordinary shares held by shareholders of Hudson's Bay Company with registered addresses in the United Kingdom the offer is being made on behalf of The Woodbridge Company Limited and Thomson Equitable (International) Limited by S. G. Warburg & Co. Ltd. and Wood Gundy Limited.

Beneficial owners of ordinary shares of Hudson's Bay Company whose shares are registered in a nominee or marking name can obtain additional copies of the offer document and acceptance form during normal business hours on any weekday (Saturdays excepted)

S. G. Warburg & Co. Ltd., 30 Gresham Street, London EC2P 2EB

Wood Gundy Limited, 30 Finsbury Square, London EC2A 1SB

19th March, 1979.

This advertisement is issued by S. G. Warburg & Co. Ltd. and Wood Gundy Limited on behalf of The Woodbridge Company Limited and Thomson Equitable (International) Limited

The Week in Parliament

TODAY COMMONS: Debate on motion to take note of the Government's expenditure plans, 1978-1980 to 1982-83. ... LORDS: Confirmation to Small Estates (Scotland) Bill, second reading. ...

(Emergency Provisions) Scotland Bill. Motions on EEC documents on energy policy. ... WEDNESDAY COMMONS: Debate on the Report of the Shackleton Committee. ...

Sub-Committee. Subject: UK domestic air fares. Witnesses: British Airports Authority. ... THURSDAY COMMONS: Road Traffic (Seat Belts) Bill, second reading. ...

8. 4 pm. Nationalised Industries Sub-Committee D. Subject: Consumers and the Nationalised Industries. ... FRIDAY COMMONS: Private Members' motions.

Ultramar Company Limited

1978 A year of achievement

Preliminary Announcement of 1978 Group Results

Summary of financial results table with columns for 1978, 1977, and Increase. Rows include Operating profit before taxation, Profit after taxation and foreign exchange fluctuations, Cash flow from operations, and Capital expenditures.

Outlook for 1979: There are many political and economic uncertainties in the immediate future. A new situation has been created by the Iranian crisis which caused an industry wide curtailment of crude oil supplies and sharp price increases in some areas. ... Proposed Share Distribution: It is proposed to recommend again to Ordinary Shareholders a Share Distribution. ...

- (1) The development of the UK North Sea Maureen Field in which we have a 6% interest is now proceeding. Initial production is expected to start in the last quarter of 1981 or early 1982 at a rate of 75,000 barrels per day. ... (2) We have a 25% interest in a consortium with British National Oil Corporation and Charterhouse Petroleum Development Limited, which has reached agreement in principle for the purchase of Ashland Oil (GB) Limited which has a working interest of 5.425% in the UK North Sea Thistle Field. ...

Cash Dividends: Your Directors propose in November next, to pay an interim dividend in respect of 1979 of 5p per share on the Ordinary Shares as increased by the above mentioned 15 share distribution. ... The Year 1978: Despite adverse exchange effects, cash flow from operations and operating profit, both before and after taxation, expressed in sterling terms are the highest in Ultramar's history. ...

(3) We formed a North Sea exploration group with Pan Canadian Petroleum Limited and Houston Oils and Minerals Corporation and made applications for North Sea blocks in the sixth round of bidding. Ultramar is the operator of this group and each of the companies in the group has a one-third interest. ... (4) In Egypt we have taken a 50% interest in new exploration concessions covering two blocks totalling 1,062,000 acres located between Alexandria and El Alamein. ...

Capital Expenditure for 1978 was £22,953,000 (apart from the acquisition of Canadian Fuel Markets dealt with later in the announcement) compared with £14,355,000 in 1977. The increase is mainly due to more substantial programmes of exploration and development in Indonesia and Western Canada and of exploration in the UK North Sea. ...

The acquisition became unconditional on 22nd December 1978 and accordingly the assets and liabilities of Canadian Fuel Markets Ltd at 31st December 1978 will be incorporated in the Consolidated Balance Sheet of Ultramar at that date. They are also dealt with in the Consolidated Statement of Source and Application of Funds which forms part of this Preliminary Announcement. ...

Group results for the year to 31st December 1978

Consolidated profit and loss account table with columns for 1978 and 1977. Rows include Sales, Profit on trading, Operating profit before taxation, Operating profit after taxation, Earnings attributable to Ordinary Shareholders, Cash flow from operations, and Earnings per Ordinary Share.

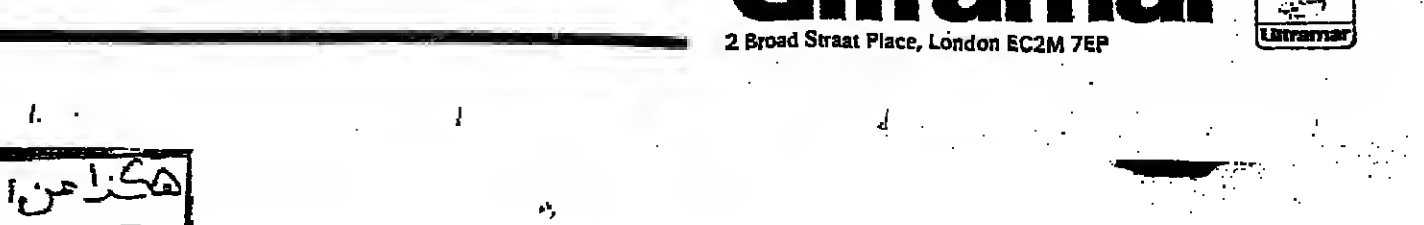
Consolidated statement of source and application of funds

Table with columns for 1978 and 1977. Rows include Source of funds, Operating profit after taxation, Cash flow from operations, Other long term loans raised, Application of funds, Increase in working capital, Working capital at 31st December 1978, and Long term loans at 31st December 1978.

Operating results table with columns for 1978 and 1977. Rows include Sales of oil (barrels per day), Oil refined (barrels per day), Oil produced (barrels per day), Gas produced (thousands of cubic feet per day), Net acreage interest, Gross wells drilled, and Oil and gas wells completed.

Campbell L. Nelson

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1978 450 SL 7,000 Miles. Air conditioning. Leather interior. Electric windows. Silver Green. £19,950.

450 SEL 18,000 Miles. Air conditioning, electric a/roof, Alloy wheels. Cruise control. Metallic Silver. Blue velour. £18,950.

1978 450 SEL. Delivery Mileage. Silver. Blue velour. air cond. elec. a/roof. Alloy wheels. £24,250.

1978 350 SE. Delivery Mileage. Topaz Brown. elec. a/roof. several extras. SMALL PREMIUM ON THIS PRICE.

1978 350 SE. Delivery Mileage. Silver Mink. Blue Hides. 2 owners from new. full history. £22,750.

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SEVA 2000	1-year lease	1-year lease
SEVA 2000	1-year lease	1-year lease

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Daily Mail Ideal Home Exhibition (01-353 4000) (until March 31)	Earls Court
Current	British International Footwear Fair (01-739 3817) (until March 20)	Exbn. Centre, Birmingham Brighton Centre
Current	Toy Fair (04252 72711) (until March 21)	Kelvin Hall, Glasgow
Current	Scottish Business Show (031-229 6412) (until March 23)	Kelvin Hall, Glasgow
Mar. 20-22	International Public Address Equipment Exhibition - Sound (Slough 39455)	Cunard International Hotel Sandown Park, Esher
Mar. 21-22	EIA Engineering Exhibition (01-222 2887)	Olympia
Apr. 2-5	London Fashion Exhibition (01-385 1200)	Kelvin Hall, Glasgow
Apr. 2-6	The Scottish Hotel, Catering and Licensed Trade Exhibition (031 229 6412)	Olympia
Apr. 3-6	Leatherwear International (01-385 1200)	Bingley Hall
Apr. 6-17	Birmingham Motor Show (0802 51202)	Assembly Rooms, Edinburgh
Apr. 9-14	Ideal Homes Exhibition (031 225 9557)	

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Light Industries and Handicrafts Fair (01-486 1951) (until March 25)	Muich
Current	International Fair (01-245 5757) (until March 31)	Calro
Mar. 21-26	International Bicycle and Motorcycle Exhibition	Zurich
Mar. 24-Apr. 2	International Fair	Lyons
Mar. 25-29	The Middle East Oil Show	Bahrain
Mar. 31-Apr. 9	Europain 79 (01-439 3964)	Paris
Apr. 1-5	Toys and Games Trade Show - BELJOUETS	Brussels

BUSINESS AND MANAGEMENT CONFERENCES

Mar. 19-20	AMR International: Time Management (01-263 3732)	Churchill Hotel, W1 London
Mar. 19-Apr. 6	Management Centre Europe: Management Course LAMSAAC: The Best Use of Resources (01-528 2333)	Royal Hotel, Scarborough
Mar. 19-22	National Engineering Laboratory: Principles and Practice of Flow Measurement (East Kilbride 30222)	Glasgow
Mar. 20	Institute of Directors: Annual Convention	Royal Albert Hall
Mar. 20-22	RRG: International Captive Insurance Companies Conference (01-236 2175)	Bermuda
Mar. 20	CB/IFPA: India 1979 (01-830 6711)	Tothill Street, SW1
Mar. 21	FT Conference: Tomorrow in World Electronics (01-236 4582)	Grosvenor House, W1
Mar. 21	The Institute of Chartered Accountants: The Measurement and Rewarding of Productivity (01-628 7060)	Grand Hotel, Manchester
Mar. 21-23	ESC: The World of Microprocessors (057282 2711)	Hyde Park Hotel, W3
Mar. 22-June 7	IPM: Industrial Relations Law: The Impact of current legislation (01-387 2944)	Uxbridge
Mar. 22-23	CICC: Urban Planning and Public Transport (0602 813078)	Upper Woburn Place, WC1
Mar. 25-30	University of Bradford Management: Field Sales Management (Bradford 42399)	University of Nottingham
Mar. 26-30	The Centre for Professional Advancement: Powder Technology	Heaton Mount, Bradford
Mar. 26	CAM/CDT: The Law in relation to Communications, Advertising and Marketing (01-839 1547)	Amsterdam
Mar. 26-27	Oyez/IBC: Resisting Contractors' Claims in the Construction (01-242 2481)	Leicester Square, WC2
Mar. 26-27	IHR Hotel Interiors, Specifying the Design and Purchasing Need (Redhill 83611)	Europa Hotel, W1
Mar. 27	CCC: Capital Gains Tax (01-222 8362)	Hilton Hotel, W1
Mar. 27-28	ROSPA/ Fuel and Metallurgical Journals: Health and Safety in the Metal Processing Industries	Royal Lancaster Hotel, W2
Mar. 27	AGB: Doing Business with South Korea (01-353 3651)	Hyde Park Hotel, SW1
Mar. 27-29	CAM Foundation: Writing for Effective Sales Promotion (01-828 2771)	Cafe Royal Hotel, W1
Mar. 27	GIM: Participation and Industrial Society (0788 812125)	Quagino's W1
Mar. 28-30	ICC: Ink Jet Printing: Update and Outlook for Technology, Applications and Markets	Ruislip, Middlesex
Mar. 29	The Conference Board in Europe: Midyear international financial and economic outlook	Amsterdam
Mar. 30	CCC: Retention of Title after Monsanto-Romaipa overturned (01-408 1232)	Hilton Hotel, W1
Mar. 30	LCCI: Ohio Winter Seminar (01-248 4444)	Europa Hotel, W1
Mar. 30	Lloyds of London Press: Waybills and Short Form Documents (01-353 1000)	Cannon Street, EC4
Apr. 1-28	BTS: Senior Management Course (04862 5444)	London Press Centre Woking, Surrey
Apr. 2	AMR International: Interviewing Skills and Techniques for Executives (01-262 2732)	Royal Garden Hotel, W8
Apr. 2-4	ESC: Important Developments in the Protection of Industrial Designs (057 282 2711)	Hilton Hotel, W1
Apr. 2-4	ASM: Managing and Controlling R and D projects (01-385 1992)	RAC Club, SW1
Apr. 3	Executive Conferences: Justifying and Selecting Automatic Test Equipment (0494 53171)	Hotel Russell, WC2
Apr. 3-5	Energy Utilisation and Conservation Conference (01-637 2400)	Hotel Russell, WC2
Apr. 3	NTIS: Information Services (0420 84300)	Royal Lancaster Hotel, W2

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1979 450 SEL. Metallic Green. Becker Mexico stereo. Gold Fittings. Parchment velour. air conditioning. elec. a/roof, cruise control. Alloy wheels. £24,900. SEVERAL MORE AVAILABLE.

1978 450 SL 7,000 Miles. Air conditioning. Leather interior. Electric windows. Silver Green. £19,950.

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1978 350 SE. Delivery Mileage. Silver Mink. Blue Hides. 2 owners from new. full history. £22,750.

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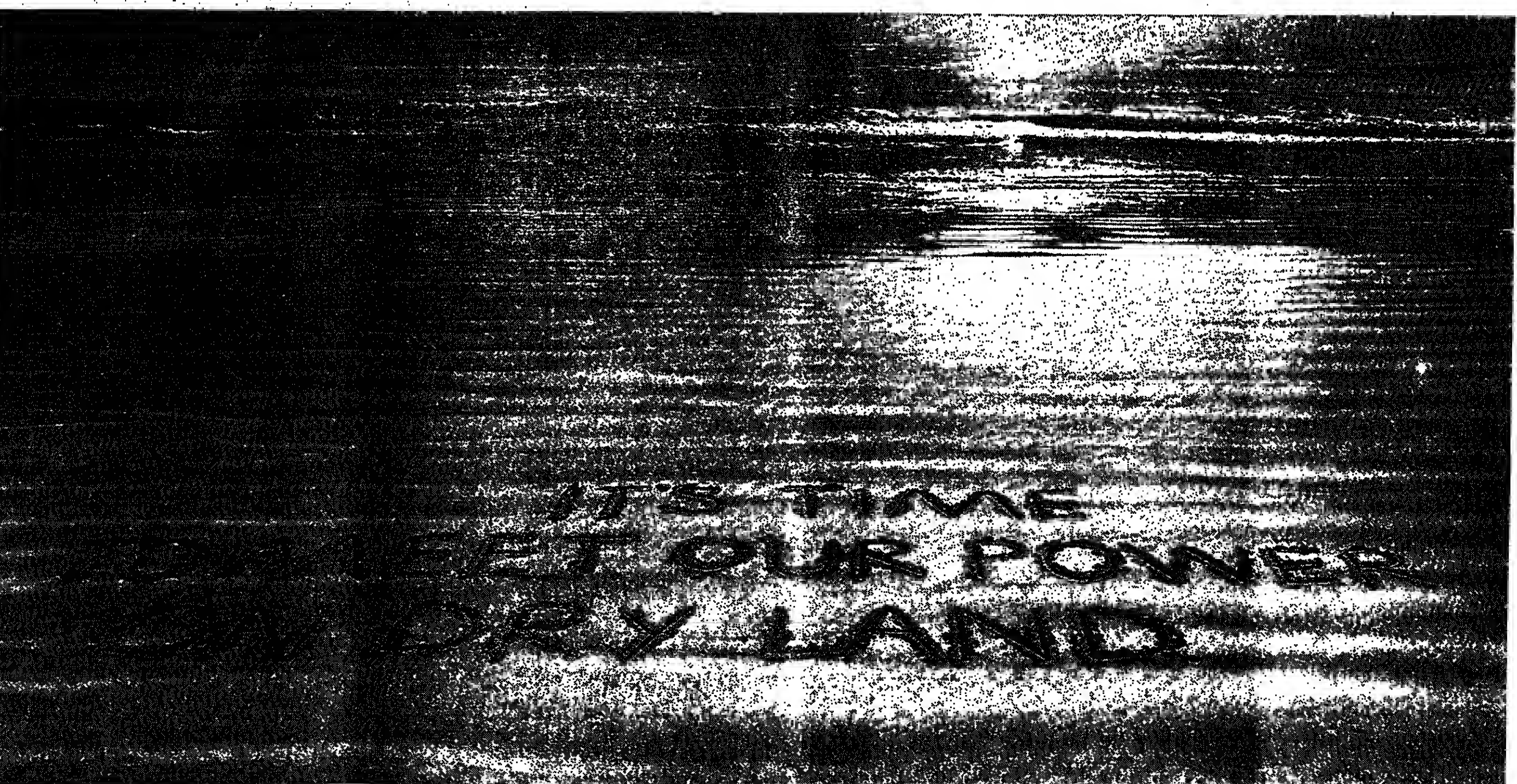
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BRITISH FUNDS

Interest Stock Price Last 1/2 Yield %

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Table of British Funds with columns for Stock, Price, Last 1/2, Yield % and various fund names like 17M Treasury 3 1/2 1984, 26M Electric 4 1/2 1984, etc.

Five to Fifteen

Table of British Funds with columns for Stock, Price, Last 1/2, Yield % and various fund names like 22M Cash 12 1/2 1985, 10M Treasury 3 1/2 1984, etc.

Over Fifteen Years

Table of British Funds with columns for Stock, Price, Last 1/2, Yield % and various fund names like 22M Cash 12 1/2 1985, 17M Treasury 3 1/2 1984, etc.

Undated

Table of British Funds with columns for Stock, Price, Last 1/2, Yield % and various fund names like 10M Cash 12 1/2 1985, 10M Treasury 3 1/2 1984, etc.

INTERNATIONAL BANK

15F 154 (Stock 77-82) 83 1/2 16 1/2 5.98 10.89

CORPORATION LOANS

Table of Corporation Loans with columns for Stock, Price, Last 1/2, Yield % and various loan names like 1F 10M Cash 12 1/2 1985, 15M Treasury 3 1/2 1984, etc.

LOANS

Table of Loans with columns for Stock, Price, Last 1/2, Yield % and various loan names like 1F 10M Cash 12 1/2 1985, 15M Treasury 3 1/2 1984, etc.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails with columns for Stock, Price, Last 1/2, Yield % and various bond names like 1F 10M Cash 12 1/2 1985, 15M Treasury 3 1/2 1984, etc.

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FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

Table of Bonds & Rails with columns for Interest, Stock, Price, Last 1/2, Yield % and various bond names like 4 1/2% Govt 1984, 5% Govt 1985, etc.

BANKS & HP—Continued

Table of Banks & HP with columns for Interest, Stock, Price, Last 1/2, Yield % and various bank names like Nat. Westminster, Nat. Westminster, etc.

CHEMICALS, PLASTICS—Cont.

Table of Chemicals, Plastics with columns for Interest, Stock, Price, Last 1/2, Yield % and various chemical names like ICI, ICI, etc.

ENGINEERING—Continued

Table of Engineering with columns for Interest, Stock, Price, Last 1/2, Yield % and various engineering names like BHP, BHP, etc.

AMERICANS

Table of American Stocks with columns for Interest, Stock, Price, Last 1/2, Yield % and various American names like Am. Express, Am. Express, etc.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Carlsberg, Carlsberg, etc.

DRAPERY AND STORES

Table of Drapery and Stores with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Debenhams, Debenhams, etc.

Over Fifteen Years

Table of British Funds with columns for Stock, Price, Last 1/2, Yield % and various fund names like 22M Cash 12 1/2 1985, 17M Treasury 3 1/2 1984, etc.

Undated

Table of British Funds with columns for Stock, Price, Last 1/2, Yield % and various fund names like 10M Cash 12 1/2 1985, 10M Treasury 3 1/2 1984, etc.

INTERNATIONAL BANK

15F 154 (Stock 77-82) 83 1/2 16 1/2 5.98 10.89

CORPORATION LOANS

Table of Corporation Loans with columns for Stock, Price, Last 1/2, Yield % and various loan names like 1F 10M Cash 12 1/2 1985, 15M Treasury 3 1/2 1984, etc.

LOANS

Table of Loans with columns for Stock, Price, Last 1/2, Yield % and various loan names like 1F 10M Cash 12 1/2 1985, 15M Treasury 3 1/2 1984, etc.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails with columns for Stock, Price, Last 1/2, Yield % and various bond names like 1F 10M Cash 12 1/2 1985, 15M Treasury 3 1/2 1984, etc.

AMERICANS

Table of American Stocks with columns for Interest, Stock, Price, Last 1/2, Yield % and various American names like Am. Express, Am. Express, etc.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Carlsberg, Carlsberg, etc.

DRAPERY AND STORES

Table of Drapery and Stores with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Debenhams, Debenhams, etc.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber and Roads with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Balfour Beatty, Balfour Beatty, etc.

CANADIANS

Table of Canadian Stocks with columns for Interest, Stock, Price, Last 1/2, Yield % and various Canadian names like Alcan, Alcan, etc.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Nat. Westminster, Nat. Westminster, etc.

AMERICANS

Table of American Stocks with columns for Interest, Stock, Price, Last 1/2, Yield % and various American names like Am. Express, Am. Express, etc.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Carlsberg, Carlsberg, etc.

DRAPERY AND STORES

Table of Drapery and Stores with columns for Interest, Stock, Price, Last 1/2, Yield % and various names like Debenhams, Debenhams, etc.

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BANKS AND HIRE PURCHASE

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FOOD, GROCERIES—Cont.

Table of Food, Groceries with columns for Stock, Price, Last 1/2, Yield % and various names like Asda, Asda, etc.

HOTELS AND CATERERS

Table of Hotels and Caterers with columns for Stock, Price, Last 1/2, Yield % and various names like Holiday Inn, Holiday Inn, etc.

INDUSTRIALS (Miscel.)

Table of Industrials (Miscel.) with columns for Stock, Price, Last 1/2, Yield % and various names like ICI, ICI, etc.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, Etc. with columns for Stock, Price, Last 1/2, Yield % and various names like Asda, Asda, etc.

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Sanwa Bank logo and text: Serving the world with financial expertise. SANWA BANK Tokyo, Japan

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock name, price, and other financial metrics.

INSURANCE—Continued

Table of insurance companies such as Lloyds, Norwich Union, and Royal Indemnity, listing their stock prices and performance.

PROPERTY—Continued

Table of property-related stocks and investments, including various real estate and construction companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts and funds, detailing their assets, liabilities, and performance metrics.

FINANCE, LAND—Continued

Table of financial and land-related stocks, including banks, insurance companies, and landowners.

MINES—Continued

Table of mining stocks, primarily from Australia, listing companies like Anglo American and Anglo Coal.

TINS

Table of tin stocks, including companies like Anglo Tin Mines and Anglo American.

COPPER

Table of copper stocks, listing companies like Anglo American and Anglo Coal.

MISCELLANEOUS

Table of miscellaneous stocks, including various international and specialty companies.

NOTES

Textual notes providing additional information and commentary on the market data.

INSURANCE

Small table of insurance-related data or updates.

PROPERTY

Small table of property-related data or updates.

TRUSTS, FINANCE, LAND

Small table of trusts, finance, and land-related data.

FINANCE

Small table of financial data or updates.

FINANCE

Small table of financial data or updates.

REGIONAL MARKETS

Table of regional market data, including stock prices from various international locations.

DIAMOND AND PLATINUM

Small table of diamond and platinum market data.

CENTRAL AFRICAN

Small table of Central African market data.



Iran will halt corruptly-made deals

BY ANTHONY McDERMOTT IN TEHRAN

THE ISLAMIC Government of Iran will not honour any contracts in which evidence of corruption has been found...

He appeared to prefer, on balance, private to public tenders, but said that both systems would be used.

It is clear, however, that economic planning since the revolution is still at a preliminary stage.

Revenues would also be reduced because of a drop in income from customs duties.

Only specific items that he mentioned as being liable to cancellation.

Post Office may offer full job security to union

BY JOHN LLOYD

THE POST OFFICE may shortly make an unprecedented offer of security of employment, without a time limit, to the 120,000 plus members of the Post Office Engineering Union.

The agreement is being negotiated following two studies, one made by the Post Office, one by the union, of the impact of new, especially microelectronic technology on telecommunications, and its effect on employment.

However, the union's study, now being considered by its executive, stresses the need for a far-reaching programme of modernisation and of marketing.

Gulf Oil pays Shell £29m to settle uranium deal dispute

BY DAVID FISLOCK, SCIENCE EDITOR

ROYAL DUTCH Shell is to receive about \$80m (£29.5m) from Gulf Oil to settle one contentious aspect of its nuclear partnership, which has seriously upset relations between the two companies since the mid-1970s.

Gulf has consistently maintained that it participated in uranium talks with other producers only at the request of the Canadian Government.

Ambulance and hospital staffs threaten to step up pay action

BY PAULINE CLARK, LABOUR STAFF

BRITAIN FACES a week of increasing disruption in public services as ambulance and hospital workers plan to step up industrial action over pay.

Hundreds more ambulance men were said to have decided on immediate strike action over the weekend, in spite of union policy that emergency services should be maintained.

In West Yorkshire, 19 of the 23 stations were reported to be affected. Other areas facing serious disruption included Powys, mid-Glamorgan, Manchester, Gloucestershire and Merseyside.

State industries seek pledge on targets

BY ROY HODSON

MINISTERS will be asked this week by leaders of the nationalised industries to reaffirm the Government's commitment to financial targets for the nationalised sector.

Heves the withholding for up to three months of price rises to domestic consumers averaging 3.6 per cent will simply result in a bigger increase later.

'Tough line' advice to engineering chiefs

BY PAULINE CLARK, LABOUR STAFF

EMPLOYERS in more than 6,000 engineering companies are to be advised in a special circular this week to take a tough line on industrial action.

Employers will be advised that there should be no delay in laying off other employees to limit a company's losses during industrial action.

Mid-East

libling autonomous government for the Palestinians living on the occupied West Bank and Gaza Strip.

Confidence vote

The 10 Ulstermen hold the balance. Three or four of them will almost certainly vote against the Government and if the rest decide to abstain, Mr. Callaghan will have lost.

Continued from Page 1

Callaghan in office if he could offer progress towards local government reform in the province, and if there was a promise to build a pipeline to connect Ulster with cheap North Sea gas supplies.

THE LEX COLUMN

Bidding banks get cheques ready

The decision of the U.S. Federal Reserve to approve the three British bids for American banks removes much of the uncertainty which has surrounded them in the minds of investors.

There is, to take just one example, a whole new modern industry in computer services and software which is almost unrepresented on the stock market.

The fact that only 10 per cent of the shares were placed initially, in contrast to the 25 per cent of a company should be held in an official flotation.